

Transmittal Letter



December 9, 2011

Honourable V. Chukuma Johnson
Chairman, Public Accounts Committee
Sierra Leone House of Parliament
Tower Hill
Freetown

Dear Sir,

In accordance with Section 119 (4) of the 1991 Constitution of Sierra Leone, I have the pleasure and honour to submit a detailed report on the audit of the Accounts of the Sierra Leone Government for the financial year ended 31st December, 2010.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Lara Taylor-Pearce'.

Lara Taylor-Pearce FCCA (Mrs.)
AUDITOR GENERAL OF SIERRA LEONE

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List of Acronyms

AG	Accountant General
AGD	Accountant General's Department
ADB	African Development Bank
ARG	Administration and Registrar General
ASSL	Audit Service Sierra Leone
CRF	Consolidated Revenue Fund
EU	European Union
FAO	Food and Agricultural Organisation
FMR	Financial Management Regulation
GBAA	Government Budgeting & Accountability Act
GoSL	Government of Sierra Leone
GST	Goods and Services Tax
HRMO	Human Resource management Office
IOM	International Organisation for Migration
LPO	Local Purchase Order
MDA	Ministries, Departments & Agencies
MEST	Ministry of Education Science & Technology
NASSIT	National Social Security and Insurance Trust
NFF	National Fire Force
NRA	National Revenue Authority
PAYE	Pay-As-You-Earn
PS	Permanent Secretary
PV	Payment Voucher
RFQ	Request for Quotation
SLCB	Sierra Leone Commercial Bank
SLRTA	Sierra Leone Road Transport Authority
VC	Vote Controller

1. Foreword



As I take up my position as Auditor General of Sierra Leone, I am mindful of the honour bestowed upon me by the President and Parliament. I am also keenly aware of the responsibilities attached to the office and the Constitutional obligations that come with it.

In this report I present the results of our work for the past year. It has seen us conduct the financial audit of the Public Accounts, compliance audits of Ministries, Departments and Agencies as well as schools and vocational institutions. I also report on the audits of Public Enterprises and Commissions. All of these are conducted in compliance with professional auditing and ethical standards generally recognized around the world.

Not included in this report are the results of performance audits conducted by my staff. This type of audit is concerned with evaluating the economy, efficiency and effectiveness of selected government services and programmes. Members of staff are completing a number of these on aspects of malaria management, delivery of potable water and fisheries, to name a few. I will be submitting Special Reports to Parliament on these matters before the end of the current year and in early 2012. I expect that performance audits will be an increasing part of our activities in future years as we build on the core team of specialists created for this valuable and useful area of professional audit practice in the public sector.

The findings from our financial and compliance audits this past year demonstrate that despite some areas of progress we have a long way to go in improving the quality of public financial management in Sierra Leone. Across all our audit entities, whether in ministries, public enterprises or schools, a pattern emerges which suggests a need to improve on the most basic elements of internal control as well as systems and procedures for record-keeping, protection of assets and segregation of duties. The evidence suggests poor management practices and a lack of awareness that as public servants we all are accountable to Parliament and the citizens for managing public funds with due regard and probity. We encountered many instances of breaches in procurement procedures, management of stores, poor control over banking and cash management and proper enforcement of tax regulations. The tax revenue area is of particular concern to me and this is reflected in my qualified audit opinion on the Public Accounts. We have undertaken a revenue audit that deals directly and specifically with tax assessment and collection. This is a major concern for the citizens of Sierra Leone and it will continue to garner my attention in 2012. I commend this report to you.

I cannot close without acknowledging my predecessor, Mrs. Anna Caesar, who served this country with distinction in a long public service career. Her contribution to the development of ASSL has been enormous. I am grateful for the well-functioning strong organization I inherit as a result of her efforts. We wish her well in a long and happy retirement.

A handwritten signature in blue ink, appearing to read 'Lara Taylor-Pearce'.

Lara Taylor-Pearce FCCA (Mrs.)
Auditor General of Sierra Leone

2. Executive Summary

Our Role

The role of ASSL is to independently review the economy, efficiency and effectiveness of government as the custodian of public funds and to ensure that these are used in the manner intended by Parliament as well as being clearly and accurately reported.

We are the guardian of Sierra Leone's economic security and as such we act in a professional, ethical and transparent manner to assure the productive stewardship of the investments of taxpayers and other stakeholders, and to safeguard the citizens' interest in the public sector.

The Public Accounts

The Auditor General issued a Qualified Opinion on the Public Accounts. This was the result of her professional judgement based on audit findings as summarised below.

We found extensive internal control problems especially around revenue matters and the relationship between NRA and MOFED on the responsibility for the CRF. This was at the root of our decision to issue a qualified opinion on the Public Accounts and had the problems encountered been pervasive they would have given rise to a disclaimer of opinion, i.e. the situation where we are unable to obtain sufficient appropriate audit evidence on which to base the opinion. There is a need to clarify the relationship between MOFED and NRA with regards the responsibility for the CRF.

We found out that significant numbers of receipt books were not accounted for or available for examination. There were unidentified cash balances held in transit accounts and not transferred to the CRF at the year end in a timely manner. We also noted a significant discrepancy between NRA reported revenue and that disclosed in the Public Accounts.

The Internal Audit Department, a key component of the system of internal control, although improving could be better. Many of our recommendations from previous years have not been implemented and this continues to be of considerable concern.

Ministries, Departments and Agencies

We estimate there have been cash losses to the public purse of Le 80,664,232,530.77 and US\$2,836,455, – for details see Appendix "A". This occurred for a number of reasons, some inter-related and overall suggest strongly that public financial management is not operating well in many MDAs.

For example:

- There were significant weaknesses in the management of revenue in most if not all of the revenue generating entities;
- The perennial problem, payments without adequate supporting documents, persisted in almost all the MDAs;
- Several significant lapses were observed in procurement procedures resulting in incomplete transactions and hence unsatisfactory service delivery;

- Moneys intended to be managed by imprest accounts were not properly accounted for with the result that allocating expenditure accurately is seriously impaired; and
- Fixed assets, stores and fuel records were not adequately recorded in applicable registers and records.

These findings among many others enumerated below, do not inspire confidence that resources are being managed optimally with due regard for economy, efficiency and effectiveness or fully in accordance with the intent of our elected legislators.

Public Enterprises and Commissions

In general and across virtually all Public Enterprises and Commissions the significant matters identified in the audit examinations fall into the following areas:

- Poor bank, cash and imprest account management practices;
- Missing supporting documentation for transactions;
- Inadequate use of or a failure to use Asset Registers;
- Failure to deduct withholding tax from suppliers' remittances; and
- Delays in remitting NASSIT deductions

These observations are expanded upon in greater detail in the paragraphs to follow. Overall, they suggest a need for greatly improved financial management with a clear focus on basic principles of internal control, e.g. appropriation, segregation of duties and sound procedures for authorizing, recording and reporting transactions.

Schools and Vocational Institutions

Based on our review of schools and vocational institutions we believe that administrative and financial management of the school system is out of control. Responsibility and accountability rests squarely on the Ministry of Education and it is from there that corrective action needs to be initiated as a matter of the gravest urgency.

Losses from schools and other educational institutions attracted not only cash losses in respect of fees collected but there are also significant arrears in school fee payments.

In future years we hope to see evidence of improvement. A good start would be to see the Ministry of Education following-up on our detailed observations as set out below.

3. Introduction

Law and order and good government sit at the very core of a well-functioning State. Sound public financial management is a key component of good government. The whole works together to form an environment to attract direct investment, foreign and domestic, and permits the State, should it so wish, to raise long and short term funding from the international financial markets. It is also crucial to creating a context that facilitates the assessment and orderly collection of tax revenue and other levies from all sources, as well as shaping a civil society that recognizes and values, the legal obligation and civic duty to pay to the State that which it is due.

It is only a well-functioning Sierra Leone that can deliver the essential support and services that the citizens elected our Parliament and government to provide. Audit Service Sierra Leone (ASSL), as the external auditor of the government, builds the confidence of all stakeholders in our State institutions. It supports our nation in its ongoing effort to achieve financial self-reliance. This is the journey we are embarked upon and the destination is one that a handful of developing countries in Africa have achieved. We strive to be counted in their number and ASSL has a part to play in getting there.

The role of ASSL is to review the economy, efficiency and effectiveness of government as the custodian of public funds and to ensure that these are used in the manner intended by Parliament as well as being clearly and accurately reported. We are getting better at performing our role. Indeed, a peer review reporting in October 2010 conducted under the aegis of African Organization of Supreme Audit Institutions – English (AFROSAI-E) states that, overall, ASSL “... has made tremendous strides ... in relation to the AFROSAI-E Institutional Strengthening Framework”. AFROSAI-E is the body, in which we are an active member in collaboration with The International Organisation of Supreme Audit Institutions (INTOSAI) which operates as an umbrella organisation for the external government audit community. In our work we comply with its professional and ethical standards and, recognising our need to keep developing, we make use of their training to strengthen our professional staff. But it’s not a one way street; we also contribute to AFROSAI-E’s training capability. In 2010, ASSL successfully hosted training to eight African Supreme Audit Institutions (SAIs) in Performance Audit, a branch of public sector auditing practice in which we have developed an enviable professional competence. Later this year and early in 2012 we will be presenting a number of performance audit special reports to Parliament.

ASSL is on the move both professionally and physically. Our internal training services are continually presenting seminars and workshops in Freetown and at our regional offices to build the skills of our staff at all levels. In addition, a number of our auditors are taking post-graduate degrees overseas with others scheduled to join them. Currently in the environs of Freetown ASSL operates from a number of locations including the Youyi and Lotto buildings. A new headquarters which will permit consolidation of all Freetown staff into one location is under construction at Tower Hill. Anticipated donor funding for a share of the construction costs unexpectedly did not materialize, consequently the cost is presently being borne fully by the government. Occupancy is expected in late 2012 or early 2013.

Perhaps our greatest need right now is to keep building our professional resources. We have been active and enjoyed some considerable success in recruiting young graduates from the university. They are encouraged to pursue certification as full members of the professional accounting bodies. We have also been able to attract experienced professionally qualified staff from the domestic market and overseas. As ever, more financial resources are needed and we would plead that our cause is just and much needed as we pursue our mandate under the Constitution, the Audit Service Act and other related financial legislations.

Mandate

Section 119 of the *Constitution of Sierra Leone* mandates the Auditor General to audit the Public Accounts of Sierra Leone and all public offices, including the Courts, the accounts of the Central and Local Government Administration, of the university and public institutions of like nature, statutory corporations, companies or other bodies and organisations established by an Act of Parliament or statutory instrument or otherwise set up partly or wholly out of public funds shall be audited and reported by or on behalf of the Auditor General.

In addition, the *Audit Service Act, 1998* sets down *inter alia* the organization of the Audit Service, and under subsection (4) section 66 of the *Public Budgeting and Accounting Act 1992* the Auditor General has the right to surcharge any person in certain circumstances.

ASSL's Vision

The Audit Service is the guardian of Sierra Leone's economic security.

Mission Statement of ASSL

To continue to be a respected, agile, merit-based and ethically transparent institution dedicated to assuring the productive stewardship of the investments of taxpayers and other stakeholders, and safeguarding of the citizen's interest in the public sector.

Reading this Report

In addition to the Introduction, there are four sections to this report. Each deals separately with discrete components of the activities of government. The four sections are as follows:

- My Audit Opinion on the financial statements of the government of Sierra Leone for the year-ended December 31, 2010, officially known as the Public Accounts, and related comments on the audit examination findings.
- Findings arising from compliance audits conducted in those entities charged with delivering specific programs of the government. In short, Ministries, Departments and Agencies with explicit responsibilities for aspects of our system of governance, such as, finance, education, health, security and defence.
- Matters arising from audits of those organisations set-up as separate legal entities to conduct parts of the business of government. These are the many parastatal enterprises and commissions which though separate from government are nonetheless part of it.
- Finally, there is a Section on our findings during the audits of schools and vocational institutions.

Auditors General in many jurisdictions around the world are making strides in the adoption of plain language reporting. That is to say, they are moving away from the jargon of the auditor and public official that is often impenetrable for lay persons. I have adopted the plain language approach in the interest of clarity and communicating unambiguously all the facts as I find them about the condition of public financial management in Sierra Leone and what needs to be done about it.

I recommend this report in its entirety to all citizens of Sierra Leone and in particular to our elected representatives in Parliament. I recognise however that not everyone has either the time or inclination to read all the details it contains. For readers not wishing to dive into the particulars I include at the

beginning of each of the four Sections a summary called Main Points. In these, I set out three basic matters:

- *What we examined* – we describe what the audit looked at and in some cases what we did not look at.
- *Why it's important* – we make the case for the relevance and significance of an area or issue.
- *What we found* – the most significant findings of the audit.

The intention of Main Points is to succinctly convey quickly and accurately the major messages arising from our work. They set out the key matters that came to our attention as we performed our duties under the Constitution and the Audit Service Act which, in our judgment, need to be addressed by the public service and brought to the attention of citizens and parliamentarians.

I would like to take this opportunity to express my thanks to the Parliamentarians, Ministers of the Government, public officials and to my own staff for the cooperation and assistance received in conducting the work of the Audit Service Sierra Leone.

4. Financial Audit of the Public Accounts

Main Points

What we examined

The audit examination of the Public Accounts is a risk-based audit. We select on a test basis a selection of transactions from the Integrated Financial Information Management System (IFMIS) and examine the underlying supporting documentation. We also verify the accuracy of the compilation process used to create the financial statements and review the system of internal control in place including segregation of duties, authorization, the keeping of records and selected controls over the computer system.

Why it's important

The Public Accounts comprise a Statement of the Financial Assets and Liabilities of the Consolidated Fund, a Statement of Financial Performance, a Cash Flow Statement and other Notes of Explanation and Elaboration to the Public Accounts. These financial statements are an expression of the Government's accountability to Parliament and civil society on how well it has exercised its responsibilities as custodian of the public purse. They are a report on the extent to which the Government has complied with the intent of Parliament as no revenue or expenditure may be collected or spent except as authorised by a parliamentary vote.

What we found

We found extensive internal control problems especially around revenue matters and the relationship between NRA and MOFED on responsibility for the CRF. This was at the root of our decision to issue a qualified opinion on the Public Accounts and had the problems encountered been pervasive they would have given rise to a disclaimer of opinion, i.e. the situation where we are unable to obtain sufficient appropriate audit evidence on which to base the opinion. There is a need to clarify the relationship between MOFED and NRA with regards responsibility for the CRF.

We found out that significant numbers of receipt books were not accounted for or available for examination. There were unidentified cash balances held in transit accounts and not transferred to the CRF at year end in a timely manner. We also noted a significant discrepancy between the NRA reported revenue and that disclosed in the Public Accounts.

No breakdown on donor revenue was made available for audit and we encountered the lack of supporting documentation in a worrisome number of instances. Also, for 99% of bank balances we were unable to obtain direct confirmation of balances held in commercial banks.

The Internal Audit Department, a key component of the system of internal control, although improving, we noted there was no internal audit manual, previously agreed audit work plans were not adhered to and we were not granted access to working paper files. Quite apart from being a breach of the access rights of this office as a result, we were unable to determine if we could rely in part on the work of the Internal Audit for purposes of our audit examination.

Many of our recommendations from previous years have not been implemented and this continues to be of considerable concern.

4.1. Auditor General's Opinion on the Public Accounts

Introduction

I have audited the accompanying Public Accounts of the Government of Sierra Leone for the year ended 31st December, 2010. The Public Accounts comprise a Statement of the Financial Assets and Liabilities of the Consolidated Fund, a Statement of Financial Performance, a Cash Flow Statement and other Notes of Explanation and Elaboration to the Public Accounts as set out on pages 8 to 15.

Responsibility of the Ministry of Finance and Economic Development for the Public Accounts

The overall responsibility for maintenance, preparation and submission of the Public Accounts lies with the Minister of Finance and Economic Development. Section 3(2)(h) of the Government Budgeting and Accountability Act (GBAA), 2005 states that *"(it shall be the responsibility of the Minister to) maintain, subject to subsection (3) of section 119 of the Constitution and any other enactment, the annual accounts of Sierra Leone and submit them to the Auditor-General for audit and cause copies to be published for general public interest"*.

The responsibility of the Accountant General for the Public Accounts is stated in section 12(1)(a) of the GBAA, 2005 which states that *"(The Accountant-General shall be responsible for) the compilation of the public accounts"*.

Other responsibilities of the Ministry of Finance and Economic Development include:

- designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Public Accounts that are free from material misstatements, whether due to fraud or error;
- selecting and applying appropriate accounting policies in consultation with the Auditor-General; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor General

The Public Accounts of the Government of Sierra Leone are subject to audit by the Auditor General in accordance with Section 119(2) of the Constitution of the Republic of Sierra Leone, 1991 and Section 62 to 66 of the GBAA, 2005. My responsibility is to express an opinion on the Public Accounts based on my audit.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Public Accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Public Accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the Public Accounts, whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity's preparation and fair presentation of the Public Accounts, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Government internal controls.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management;
- overall presentation of the Public Accounts; and
- adequacy of design and the effective implementation of internal controls.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Uncertainty over domestic revenue disclosed

I have been unable to ascertain that domestic revenue collected as disclosed in the Public Accounts is free from material misstatements. This is due to the following reasons:

- A significant number of receipt books, held by the National Revenue Authority, were not made available for audit inspection. As a result, I do not have sufficient assurance that revenue in relation to these books was fully collected and correctly disclosed in the Public Accounts.
- Treasury Transit Accounts are used by The National Revenue Authority to collect money on behalf of Government. Money from these Accounts should have been transferred to Government Bank Accounts at close of business on 31st December 2010. However, this was not done. Consequently, Government domestic revenue for the year ended 31st December, 2010, as presented in the Public Accounts, does not include all monies collected and is, therefore, understated. I was unable to ascertain the total amount not transferred and cannot, therefore, estimate the amount of this misstatement.
- The domestic revenue as presented in the Public Accounts is Le119,870 Million less than the revenue collected as stated in the Annual Revenue Report prepared by the National Revenue Authority. This total comprises apparent understatements of Customs and Excise revenue by Le89,253 Million and Goods and Services Tax revenue by Le30,617 Million.

Expenditure not supported by relevant documentary evidence

In recent years, I have noted a general improvement in the availability of documentation to support financial transactions represented in the Public Accounts. However, based on sample testing, I estimate that 11% of non-salary, non-interest, recurrent expenditure (Le 68,519 Million) presented in the 2010 Public Accounts cannot be supported by appropriate documentary evidence. As a result, I am unable to ascertain whether this balance, as presented, is free from material misstatement.

Government bank balances held at commercial banks not confirmed

Out of a total of Le127,985 Million presented as Cash and Bank Balance with Commercial Banks in the Public Accounts, only approximately Le93 Million (less than 0.1%) of this total was confirmed by the Commercial Banks concerned. Although providing such external confirmation is not within the direct control of Government, the unavailability of this audit evidence does constitute a significant limitation on the scope of my audit. Consequently, I am unable to ascertain whether the Cash and Bank Balance with Commercial Banks, disclosed in the Public Accounts, is free from material misstatement.

Revenue Arrears not disclosed in the Public Accounts Section 57 of the Government Budgeting and Accountability Act, 2005 specifies what disclosures should be included in the annual statement of Public Accounts. Section 57(5)(g) states that the Public Accounts should include “a summary statement of revenue arrears to be collected by each budgetary agency”. The Public Accounts do not include such a disclosure.

Qualified Opinion

In my opinion, except for the effects of the matters described in the basis for qualified opinion in paragraphs above, the Public Accounts of the Government of Sierra Leone give a true and fair view, in all material respects, of its financial position as at 31st December, 2010 and its financial performance for the year then ended and have been prepared in accordance with section 57 of the Government Budgeting and Accountability Act, 2005 and other applicable laws and regulations.

Emphasis of Matters

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the Public Accounts.

Government National Social Security Insurance Trust (NASSIT) Liability

Included in Note 11 to the Public Accounts (Other Creditors and Accrued Charges) is a liability owed to NASSIT of Le1,119 Million as at 31st December, 2010. This amount is unchanged from 31st December, 2009. The Government of Sierra Leone has accepted that this liability is due but has made no repayments during 2010. NASSIT is responsible for making pension payments and managing the funds. To be able to do so it is important that Government endeavour to pay money owed to NASSIT as early as possible to ensure that adequate funds are available for NASSIT to meet future pension payments.

Miscellaneous Debtors

Note 7 to the Public Accounts discloses a total balance for Miscellaneous Debtors of Le211,591 Million as at 31st December 2010. Le194,572 Million of this debt was also due as at 31st December, 2009. No repayments on these debts were made to Government during 2010 and in one case, with a loan to Sierra Rutile, the size of the debt actually increased. Government should ensure that all possible measures are taken to recover these debts. If no repayment is likely then these debts can no longer be considered as Government assets and should be written off and removed from the Public Accounts in 2011.



Lara Taylor-Pearce

AUDITOR GENERAL

4.2 Financial Statements of the Government of Sierra Leone

STATEMENT OF THE FINANCIAL ASSETS AND LIABILITIES OF THE CONSOLIDATED FUND AS AT 31ST DECEMBER 2010			
In millions of Leones	Notes	2010	2009
CONSOLIDATED FUND ASSETS			
CASH AND BANK BALANCES			
Cash and Bank Balances with the Central Bank		81,585	327,920
Cash and Bank Balances with Commercial Banks		127,985	110,112
Cash in hand with PIUs		22	-
		209,592	438,032
LOANS AND ADVANCES			
Staff Loans and Advances		1,398	1,154
Debtors – Privatisation		3,106	3,488
Miscellaneous Debtors		211,591	194,572
		216,095	199,214
INVESTMENTS			
Multilateral Agencies		54,654	50,886
Public Enterprises		127,234	99,374
		181,888	150,260
Total Consolidated Fund Assets		607,575	787,507
CONSOLIDATED FUND LIABILITIES			
SHORT TERM			
Domestic Suppliers Arrears		80,276	99,230
Other Creditors and Accrued Charges		3,752	1,119
Domestic Public Debt		782,898	583,320
Special Marketable Securities		210,000	132,500
Deferred Interest		53,592	38,662
		1,130,517	854,831

LONG TERM		
Non-Marketable, Non-Interest Bearing Securities held by the Bank of Sierra Leone	81,803	243,733
Creditors	4,768	-
5 Year Bond	280,000	180,000
External Public Debt	2,588,008	1,909,856
	2,954,579	2,333,589
Total Consolidated Fund Liabilities	4,085,096	3,188,420
NET CONSOLIDATED FUND LIABILITIES		
	3,477,521	2,400,912
Attributable to		
GENERAL REVENUE BALANCE		
Balance at beginning of year	2,400,912	2,003,388
Prior Year Adjustments	41,785	(144,524)
Restated Balance	2,442,697	1,858,864
Special Funds	203,774	51,555
Foreign Exchange Loss written off	287,113	296,957
Increase in Government Share of Equity-Public Enterprises	(27,860)	-
Loss on capitalisation of NNIB	15,570	-
Loan Disbursement to Projects	372,622	238,384
Net (Surplus)/Deficit for the period	183,605	(44,848)
Balance at end of year	3,477,521	2,400,912

Kebbe A. Kouroma
Accountant General
31st March 2011

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2010

In millions of Leones

		2010			2009
	Notes	Original Budget	Actual	Variance	Actual
OPERATING REVENUE					
Domestic Revenue Collection					
Income Tax		240,511	303,026	(62,515)	212,010
Customs and Excise		477,689	321,715	155,974	418,190
Goods & Services Tax		-	246,362	(246,362)	-
		20,269	24,190		
Mineral Resources				(3,921)	20,162
Fisheries		6,572	12,298	(5,726)	8,742
		41,784	49,139		
Other Departments				(7,355)	52,309
Road User Charges		57,285	53,077	4,208	48,621
Total Domestic Revenue		844,110	1,009,806	(165,696)	760,034
Other Revenue (Direct Grant Budgetary Support)					
HIPC Debt Relief Assistance		14,850	19,145	(4,295)	15,893
Other Grants Received		254,770	314,023	(59,253)	328,693
MDRI Fund Transfer		-	204,072	(204,072)	58,856
Petroleum Strategic Fund Transfer		-	580	(580)	

				11,478
Projects and Subvented Agencies	469,506	214,343	255,163	-
Total Other Revenue	739,126	752,163	(13,037)	414,920
Total Operating Revenue	1,583,236	1,761,969	(178,733)	1,174,954
OPERATING EXPENSES				
Wages, Salaries and Employee Benefits	453,263	531,661	(78,398)	399,585
Non-Salary, Non-Interest Recurrent Expenditure	501,131	631,853	(130,722)	497,740
o/w Grants to Educational Institutions	39,749	54,082	(14,333)	42,754
Transfers to the Road Fund	57,285	53,077	4,208	48,621
Transfers to Local Councils	70,358	78,438	(8,080)	58,113
Domestic Development Expenditures	614,472	341,533	272,939	104,349
PIUs and Subvented Agencies	-	243,940	(243,940)	-
Total Operating Expenses	1,568,866	1,748,987	(180,121)	1,001,673
Surplus/(Deficit) from Operating Activities	14,370	12,982	1,388	173,281

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2010

In millions of Leones

	2010			
	Original Budget	Actual	Variance	Actual
Finance Costs	(137,579)	(159,918)	(22,339)	(102,089)
Domestic Interest	(120,148)	(141,309)	(21,161)	(88,803)
Foreign Interest	(17,431)	(18,403)	(972)	(13,285)
PIUs and Subvented	-	(207)	(207)	-
Arrears Payments	(33,848)	(36,669)	(2,821)	(26,344)
Wages Arrears	(1,335)	(5,744)	(4,409)	(5,754)
Parastatal Arrears	(1,200)	(28,516)	(27,316)	(600)
Domestic Arrears	(31,313)	(2,410)	28,903	(19,991)
Total Non-Operating Revenue/(Expenses)	(171,427)	(196,587)	(25,160)	(128,433)
Net Surplus/(Deficit) for the period	(157,057)	(183,605)	26,548	44,848

CASH FLOW STATEMENT

21

during the financial year ended 31st December 2010

In millions of Leones

2010 **2009****CASH FLOWS FROM OPERATING ACTIVITIES**Surplus/(Deficit) from ordinary activities **(183,605)** **44,848****Non-cash movements**

Decrease/(increase) in Miscellaneous Debtors - (2,164)

Increase/(decrease) in Domestic Suppliers Arrears (30,032) (24,199)

Increase/(decrease) in Other Creditors and Accrued Charges 2,633 -

Net Movement – Subvented Agencies & Project PIUs - (238,384)

Net cash flows from operating activities **(211,006)** **(219,899)****CASH FLOWS FROM INVESTING ACTIVITIES**

Net Increase in staff loans and advances (232) (396)

Privatization Receipts 611 294

Net cash flows from investing activities **379** **(102)****CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from external borrowings (372,622) -

Repayment of external borrowings 384,599 245,900

Net increase in domestic borrowing 199,579 14,155

Prior year adjustment (29,813) (842)

PIUs and Subvented proceeds from borrowing 4,218

MDRI Relief Income and Strategic Petroleum Fund (203,774) (51,555)

Net cash flows from financing activities **(17,813)** **207,658**

Net increase/(decrease) in cash and cash equivalents	(228,440)	(12,343)
Cash and cash equivalents at beginning of the year	438,032	450,375
Cash and cash equivalents at end of the year	209,592	438,032

Cash and cash equivalents

as at 31st December 2009

In millions of Leones

	2010	2009	Change
Cash and Balances with the Central Bank	81,585	327,920	(246,335)
Cash and Balances with Commercial Banks	127,985	110,112	17,872
Cash in hand with PIUs	22		
	209,592	438,032	(228,463)

4.2. Some Comments on the Public Accounts

I have issued my Auditor's Report, also called my Opinion, on the Public Accounts of the Government of Sierra Leone in accordance with Section 119(2) of the *Constitution of the Republic of Sierra Leone 1991* and Section 62 to 66 of the *Government Budget and Accountability Act 2005*. A copy of my Opinion precedes the Financial Statements of the Government of Sierra Leone which are reproduced above.

The Public Accounts comprise a Statement of the Financial Assets and Liabilities of the Consolidated Revenue Fund, a Statement of Financial Performance, a Cash Flow Statement together with Notes of Explanation and Elaboration to the Public Accounts which are an integral part of the financial statements. These financial statements are an expression of the Government's accountability to Parliament and civil society on how well it has exercised its responsibilities as custodian of the public purse. It is a basic tenet of our system of government that no revenue or expenditure may be collected or spent except as authorised by a parliamentary vote. Therefore the Public Accounts are a report on the extent to which the Government has complied with the intent of Parliament.

The Public Accounts of the Government of Sierra Leone are subject to audit by the Auditor General. As the external auditor of government, my responsibility is to conduct an audit examination and based on it to express an opinion on the Public Accounts. I set out to determine if the financial statements give a true and fair view, in all material respects, of the Government's financial position as at 31st December, 2010 and its financial performance. My audit work is conducted in accordance with professional auditing and ethical standards promulgated by INTOSAI and a range of related guidance. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Public Accounts are free from material misstatement.

The Audit Opinion is an expression of professional judgement and its wording— sometimes referred to as the short-form opinion — is dictated by international good practice. I may issue an unqualified, qualified, disclaimer or an adverse opinion. Without going into too much technical detail, an unqualified opinion arises where the financial statements provide a true and fair view of the financial position and performance and a disclaimer arises where the auditor is unable to form an opinion one way or the other. An adverse opinion arises where issues in the financial statements are so pervasive as to not present a true and fair view. A disclaimer or an adverse opinion is a very serious matter.

This year I have expressed a qualified opinion on the Public Accounts. The issues raised in the opinion to support an audit qualification were:

- Material uncertainty over domestic revenue due to:
 - significant receipt books not available/accounted for;
 - unidentified cash balances held in transit accounts not transferred to the CRF at year end; and
 - a significant discrepancy between NRA reported revenue and that disclosed in the Public Accounts.
- Material uncertainty over other charges expenditure due to lack of supporting documentation.
- Material uncertainty over cash balances held in commercial banks due to 99% of accounts not confirmed by the commercial banks.
- Material error in non-disclosure of domestic revenue arrears as required by GBAA, 2005.

Unfortunately qualified opinions on the Public Accounts have been the norm in Sierra Leone for a number of years now. This year, however, I gave very serious consideration to issuing a disclaimer and would have done so had the matters encountered and commented upon in this report been more pervasive. A disclaimer arises where the auditor is unable to obtain sufficient appropriate audit evidence

on which to base an opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive but not to amount to meet the true and fair test overall. The matters encountered were serious and related mostly, though not exclusively, to revenue accounts. The revenue issues are a matter of grave concern to me and the citizens of Sierra Leone and internal control issues throughout MDAs also need to be addressed. Unless improvements on many fronts become apparent then the question of disclaimer of opinion or worse will arise again in future years.

The following paragraphs set out in greater detail our findings while conducting the audit and the matters giving rise to qualified opinion.

4.3. Review of Internal Audit Operations

There has been a significant improvement in the level of activities undertaken by the Internal Audit Unit. However there are a number of areas where further work is required:

- The Internal Audit Unit did not have a Manual in place. It is critical that a Manual is put in place to ensure that work performed is carried out in line with international auditing standards. A working Manual will also help to ensure that there is consistency in the approach of the Internal Audit Unit even when the Unit is subject to Personnel changes.
- Although Monthly, Quarterly and Annual Reports are prepared by the Internal Audit Unit these reports do not present actual work performed as against the work plan.
- Internal Audit Assignments performed did not always fall in line with the 2010 annual work plan. As a result, out of the ten key activities planned for the year, five were not undertaken. It is understood that the failure to deliver against the work plan had various contributory factors, including staffing and resourcing problems and request from the Financial Secretary to carry out special audits. Nevertheless the Internal Audit Unit should endeavour to ensure that key activities identified in the annual work plan are delivered. Some allowance for staffing and financial constraints should be factored into the plan so that activities planned are realistic.
- Working Paper files were not made available to substantiate the outstanding issues indicated in the Internal Audit Annual Report. As a result, no reliance could be placed on the work of the Internal Audit Unit. In future years, we will require access to Internal Audit working paper files. If we can review these files, and be able to place reliance on this work, it will allow us to complete the Public Accounts audit in a much more efficient manner and allow ASSL staff to focus on other areas not addressed by the Internal Audit Unit.

4.4. Cash and Bank Balances

Out of a total of Le 127,985 Million presented as Cash and Bank Balance with Commercial Banks in the 2010 Public Accounts, only approximately Le 93 Million (less than 0.1%) of this total was confirmed by the Commercial Banks concerned. Although providing such external confirmation is not within the direct control of Government, the unavailability of this audit evidence constituted a significant limitation on the scope of my audit of the Public Accounts. Consequently, I was unable to ascertain whether the Cash and Bank Balance with Commercial Banks, disclosed in the 2010 Public Accounts, was free from material misstatement.

The primary source of information for the Accountant General in identifying the value of these bank balances to be included in the Public Accounts is a schedule provided by the Bank of Sierra Leone. However, for the purposes of obtaining sufficient audit evidence further confirmation is required.

Prior to the audit of the 2011 Public Accounts, the Accountant General should take the following action:

- Liaise with the Commercial Banks concerned to sensitise them on the importance of providing such confirmation directly to ASSL; and
- Ensure that in advance of producing the Public Accounts, bank statements are reviewed by the Accountant General relating to the bank accounts included in this account heading.

4.5. Loans and Advances

In recent years, there has been an improvement in the way staff loans and advances have been recorded, managed and recovered by the Accountant General. However, some minor issues were identified during the audit of the 2010 Public Accounts. Of particular importance are the controls around loans given to MPs. Although the amount of these loans and advances is not significant in relation to the Public Accounts, they are of particular public interest given the positions held by the recipients.

Audit findings in this area were:

- An examination of the Advances Register revealed that two application summaries for the month of October, 2010 (totalling Le 103,000,000) for MPs were not signed by the persons who prepared, authorized and approved them. As such, there is no evidence that the loans were properly reviewed and authorised by the appropriate officers.
- There was no evidence of approval for salary advances to twenty-five (25) MPs for the month of July, 2010, amounting to Le100,000,000. Salary advances should not have been paid without proper approval and appropriate evidence retained.
- The Accountant General should take steps to ensure that proper control over staff loans and advances. Particular care should be taken in relation to Loans and Advances to MPs.

4.6. Donor Disbursements and Public Funds

Donor funds form part of public funds. It is still a practice of donor not capturing funds as part of public funds. These should be fully disclosed in the Financial Statements to ensure completeness.

4.7. Government Record Keeping (Other Charges)

The availability of Payment Vouchers (PVs) to support expenditure made has improved to such an extent that almost all PVs were provided during the audit of the 2010 Public Accounts. Out of a total of 386 PVs for Other Charges requested only 7 (representing 2% of the total PVs requested) could not be made available for audit inspection.

However, for 42 PVs that were produced for audit inspection, totalling Le 30,254,565,688 the supporting documentation attached was not sufficient to support the substance of the transactions to which the PVs related. Supporting documentation such as invoices, delivery notes, certificates of completion or other relevant documents should be reviewed by the Accountant General's Department prior to payment being made in accordance with section 81(1) of the Financial Management Regulations which states that:

"the Accountant-General or authorized officer shall, before making any payment against a voucher, check that- (a) the voucher is properly supported by the prescribed documents; (b) the documents are attached to the voucher and are correct and complete in every particular".

The documents should then be filed appropriately to maintain an adequate audit trail.

In addition, 30PVs examined during the audit were prepared and authorised by the same Officer. Adequate segregation of duties is crucial in ensuring that payments are made for the purposes for which they are intended and that fraudulent transactions are not processed.

4.8. Management Information Systems

A Disaster Recovery Plan or Continuity Plan for the whole MIS of the Government is still outstanding. There is yet to be a proper policy for this within the Accountant General's Department.

4.9. Domestic Suppliers Arrears

Domestic Suppliers' Arrears continue to be a major cause for concern within the Financial Management Systems of the Government of Sierra Leone. It was noted that apart from the one review done by the ASSL during the year, there was no evidence of internal reviews done to ascertain the genuineness of other arrears.

In general, there needs to be an adequate system of review on the operations of NASSIT by the Accountant General's Department. The Audit Service Sierra Leone should be given copies of all contracts entered into by the Government of Sierra Leone in accordance with section 30(3) of the Government Budgeting and Accountability Act, 2004 which states that:

"A copy of every contract under this section shall be submitted to the Auditor-General and to the Accountant-General as soon as it is made".

In such cases, the age and position of loans entered into by the GoSL could be easily and readily verified. At the moment, we are unable to ascertain the age of the Le753M Bumbuna Loans as documentation was unavailable.

4.10. Control Over Revenue Collection, Banking, Recording and Reporting

The National Revenue Agency (NRA) through its Commissioner has a delegated responsibility from the Minister of Finance for many aspects but not all of government revenue assessment and collection.

4.10.1. Review of Internal Audit Department at NRA

I was unable to place reliance on the work of the Internal Audit Department as the Deputy Director was on leave and I could not have access to any of the Reports, Audit Manual and Working Papers. The Charter was yet to be endorsed while the Work Plan and strategic plan provided were still in their draft stages.

4.10.2. Review of the operations and management of the Transit Accounts

Our review of the National Revenue Audit Department's transactions with the Accountant General's Department disclosed inadequate evidence that these Departments were interrelated. It should be noted that the NRA has the key management function for income generation within the Government Finances. The Accountant General's Department is there to ensure that such funds are judiciously utilised within the Government system. It is the responsibility of the Accountant General to have control of all accounts being opened in the name of funds for the Government of Sierra Leone.

Transit Accounts are not being managed properly. Bank Accounts noted in 2009 could not be traced in 2010 and there was no evidence to prove that such accounts had been closed. A comprehensive list of all transit accounts held in various banks could not be provided. There were accounts being operated in Commercial Banks for which Bank Statements were not available. Bank Reconciliations on transit accounts were not prepared. A total of Le3.5Bn was held in transit accounts at 31st December, 2010 not immediately transferred to the Bank of Sierra Leone at the beginning of 2011.

4.10.3. Review of the operations of the sub divisions of NRA

A review of the operations of the sub divisions of the NRA revealed various lapses in the control system within these sub divisions.

4.10.4. Customs and Excise

One hundred and three (103) Receipt Books in use by the Customs and Excise could not be traced to the securitised documents from NRA head office and were unavailable for our inspection. Receipt Books valued at Le233.8Million could not be traced to the securitised documents received from head office. Receipts and corresponding paying slips, totalling Le37.3Million could not be traced to the Bank Statements and revenue collection of Le30.9 billion was not banked on the next working day in the Customs and Excise sub division.

On review of the ASYCUDA System, it was observed that a breakdown of the daily collections could not be made available, the revenue account over the period exceeded the Revenue update by Le9.5Billion and there were differences between the total receipt entered in the ASYCUDA system and that in the Revenue Cash Book.

4.10.5. Large Tax Payers' Division

Cash operations at the NRA continue to be an area of grave concern. In the Large Tax Payers' Division, amounts totalling Le 2.165 billion were held in Transit Accounts for over 24 hours before being paid into the CRF. In addition, Le 3.18 billion cash was held and not banked within 24 hours. This has a major effect on the cash flow of the Government of Sierra Leone.

4.10.6. Non Tax Revenue Department

At the Non Tax Revenue Department, the total amounts in each MDA in the Annual Performance Revenue Report exceeded that recorded in paying slips by Le4.935 billion. Various types of documentation such as Receipt Books and Bank Reconciliation statements in these Divisions were not made available for inspection.

4.10.7. GST operations

A review of the GST operations revealed amongst other issues that amounts recorded in the Customs Cash Book, totalling Le4.492billion could not be traced to the CRF. Amounts, totalling Le 246.36 billion as recorded in the Financial Statements differed from the total of Le215.7billion recorded in the books of the NRA, and amounts paid into the Transit Accounts amounting to Le53.914billion were not banked within 24 hours according to the relevant regulations.

4.11. Outstanding Issues from previous Audits

A number of issues identified during the 2009 audit have not been adequately addressed, despite commitments by the Accountant General to effect the changes and improvements recommended. A summary of the issues identified during the audit of the 2009 Public Accounts is shown in the table below, along with the response from the Accountant General to these. The issues were reviewed as part

of the 2010 Public Accounts audit and the current status of each issue is also given in the table as is the response from the Accountant General to this follow up work.

In order to ensure that these issues do not continue during 2011 and beyond, the Accountant General should take a more proactive stance in ensuring that all parties work together to ensure that corrective action is taken. To this end, the Accountant General should produce Action Plans, set out implementation dates and responsible Officers. This plan should be monitored on a regular basis to ensure that changes are implemented as planned.

No.	Outstanding Issue from Previous Audits	Management's Response in Prior Year	Current Status	Management's Response in Current Year
1	Reduced scope of Internal Audit operations.	Audit Committee has been established.	No evidence of the existence and functioning of an Audit Committee	See response in the
2	Inadequate control over collection, banking, recording, and reporting of Financial transaction	NRA will be aware of the recommendation	The issues raised continue to recur with no consideration to the recommendations made in the Audit Report.	We will continue to communicate your finding to NRA as it affects their operations
3	Inaccurate recognition of cash and bank balances.	Improvements will be made to the system to correct the anomalies noted.	Differences continue to be reflected between the cash stated in the Cash Book and that on the Bank Reconciliation Statements.	Negotiations are on-going with our software providers and it is hoped that this issue will be resolved soon
4	Improper Management of Loans and Advances.	Improvement will be made to manage it.	Even though parts of the system are not computerized, authorization and approval procedures continue to be an issue.	Controls are now in place to eliminate the issues noted and we will endeavour to improve on the controls currently in place.
5	Donor disbursements and other Public Funds not captured.	The providers of the Free Balance Software will be contacted to provide support in this area.	This is yet to be done	We have made significant improvement in this direction to include some aspect of donor disbursement in the account, However negotiations with our software provider are on-going for an upgrade to the current system

No.	Outstanding Issue from Previous Audits	Management's Response in Prior Year	Current Status	Management's Response in Current Year
6	Inadequate Supporting Documents on PVs	Will continue to make efforts to remedy this situation	Supporting documents in respect of travel continue to be an issue.	Will continue to make efforts to remedy this situation
7	Inadequate control over the general processing of PVs	Will continue to make efforts to remedy this situation	Progress observed. More room for improvement.	Will continue to improve on the controls relating to this activity.
8	Management Information System	Improvement will be made.	The Disaster Recovery Plan is still untested. Modules are still underutilized.	Plans are in place for a disaster recovery centre. Negotiations are in place to ensure that paid unused modules are used.
9	Debt owed by SALPOST and Sierra Rutile to GoSL.	New repayment plan will be agreed on to ensure recovery.	This is yet to be done	The Head Public Debt Unit has been informed and will take steps to address this situation
10	Non-Disclosure of Revenue Arrears	Will work with NRA for resolution	Revenue Arrears are still not disclosed	NRA has not been able to provide this information for disclosure.
11	Poor management of Transit Accounts	Will communicate findings to NRA	Transit Accounts continue to be poorly managed	We have had consultations with NRA on this matter and have been assured of improvement in this area
12	Unpresented Documents for Audit Inspection	Will continue to make efforts to remedy this situation	Progress noted at AGD. This is still a major issue at NRA.	Your concerns have been forwarded to the management of NRA.

5. Compliance Audits of Ministries, Departments and Agencies

Main Points

What we examined

Our audits of Ministries, Departments and Agencies (MDAs) are risk-based compliance audits. We focus on high risk areas. By risk we mean the likelihood of an undesirable event occurring and the potential impact should it happen, e.g. corrupt practices. For a selected function or area within an MDA we examine, on a test basis, a sample of transactions in a given time period and form a judgement as to whether applicable laws, policies and regulations have been complied with and whether the systems and practices are adequate to exercise a reasonable level of internal control over operating activities.

The areas and functions we selected for examination were those where, based on past experience or the very nature of the activity, the risk of non-compliance was high. We looked at financial record keeping, physical custody of monies and other assets including stores as well as banking procedures including the independent verification of bank balances. Our audit objective was to determine compliance with relevant laws, regulations and policies as well as to establish whether assets were protected and the financial records fairly reflected the financial conditions and the result of operations.

Why it's important

Governments should only collect revenue and make expenditure as formally authorised by an Act of Parliament. The passage of the Budget into law is the expression of Parliament's intent. It is and must remain supreme. Any expenditure made for a purpose other than that intended by Parliament is contrary to law. In short, all public moneys must be fully accounted for and in a manner compliant with the laws, policies, regulations and procedures applicable.

When revenue is not recorded or banked, monies go missing or when procurement rules are broken or expenditures are not supported, in addition to being a breach of law, these matters erode the confidence of civil society in the integrity of government and the reputation of Sierra Leone is damaged. That is why it matters.

What we found

We estimate there have been cash losses to the public purse of Le 80,664,232,530.77 and US\$2,836,455, respectively – for details see Appendix “A”. This has occurred for a number of reasons, some inter-related and overall suggest strongly that public financial management is not operating well in any MDA.

For example:

- There were significant weaknesses in the management of revenue in most if not all of the revenue generating entities. For instance, transferring funds to NRA was subject to unnecessary delay and we noted cases where withholding taxes were not deducted from suppliers or contractors.
- A perennial problem, payments without adequate supporting documents persisted in almost all the MDAs.
- Several significant lapses were observed in procurement procedures resulting in incomplete transactions and hence unsatisfactory service delivery.

- Moneys intended to be managed by imprest¹ accounts were not properly accounted for with the result that allocating expenditure accurately was seriously impaired.
- Fixed asset, stores and fuel records were not adequately recorded in applicable registers and records.

In addition, all too frequently, documents were not made available to our auditors and both this and the extent to which our recommendations for improvement in controls remain unimplemented leave a lot to be desired. The findings, expanded upon in greater detail below, do not inspire confidence that resources are being managed optimally with due regard for economy, efficiency or effectiveness or fully in accordance with the intent of our elected legislators.

¹An imprest account is one in which an initial amount is deposited with a custodian and upon submission of supporting vouchers for expenditures incurred the account is replenished to their aggregate value. Allocation to expenditure accounts – also called ‘acquaintance’ – takes place based on an analysis of the supporting documents.

MDAs – Summary of Detailed Findings and Recommendations

5.1. Accountant General's Department

5.1.1. Processing of Payment Vouchers

Payment made to an Enterprise, on PV number AG4988, amounting to Le25,650,000 did not comply with the terms under the General Conditions of the MOU. In addition, there was no evidence that the work done was certified by SLRTA even though the invoiced amount was fully paid to the Enterprise in respect of the purchase and installation of one complete used engine.

It was recommended that the AAG II must ensure that all repairs and maintenance should be certified by experts to confirm that the Department was receiving value for money.

Officials Response

In his response the AG agreed to the fact that an application was sent to SLRTA for the inspection of the vehicle after the change of engine and accessories and several representations had been made for them to certify the repairs. He added that a reminder letter had been issued to the Executive Director for the certification and once that was done, the certificate would be attached to the payment voucher and forwarded to the Audit office.

This is yet to be forwarded for our verification.

5.1.2. Review of Fuel Management

Log Books were not maintained for any of the official vehicles in the Department. There was no confirmation of the ownership of vehicles for 17 personnel, who produced life cards that carried names other than theirs. The position of Sub Accountant, referred to in the Fuel Policy, was no longer tenable. It was therefore recommended that:

- Log Books must be maintained for every official vehicle in the Department;
- The Department must ensure that all entitled persons have vehicle life cards bearing their actual names, as documented in the Fuel Policy; and
- The Fuel Policy must be updated to reflect current realities, including any needed exceptions, additions or revisions to the existing requirements.

Official's Response

In his response the AG agreed that log books had not been used for official vehicles and promised to ensure that he would put pressure on SLRTA to provide standard log books so that they could be used for all official vehicles. In relation to the 17 life cards bearing other names other than the names of staff claiming fuel, those were cars of their relatives which were used by them to and from work, he added.

In conclusion, he said that the nomenclature of Sub Accountant was now replaced by Assistant Accountant and steps would be taken to reflect this in the policy.

ASSL shall do a follow up in subsequent audits.

5.2. Ministry of Defence

5.2.1. Imprest Account Administration

Special Imprest Accounts totalling Le 245,042,250 were without retirement details such as receipts, letters of requests and signatures of beneficiaries. It was recommended that the Director General should ensure that retirement details must be maintained for Imprest disbursements and that with immediate effect, the Chief of Defence Staff should produce retirement details for the disbursement of Le 245,042,250 or recover the full amount and have it paid back to the account.

Official's Response

The Director General stated in his response that the retirement details in respect of Le245,042,250 had been located and were ready for audit inspection.

The Ministry is yet to address these recommendations.

5.2.2. Control in the distribution of fuel

There was inadequate control over the distribution of fuel in the Ministry. Fuel, costing Le98,354,100 was supplied in excess to officers of the Ministry. In addition, a Vehicle Log Book was not in use. It was therefore recommended that, with immediate effect, the officer in charge of fuel supply to officers in the Ministry must cut down the excess supply of fuel and introduce the use of a vehicle log book. In addition, the VC should cause the excess supply of fuel to be recovered from the officers.

Official's Response

The Director General responded by stating that Vehicle Log Books had been procured and fuel disbursement and consumption regularized.

The Ministry is yet to address these recommendations.

5.2.3. Unpresented Documents

In spite of several requests, procurement documents in respect of contracts for a Housing Project and the supply of rice, totalling Le 500,000,000 and Le 5,433,280,000, respectively, were not submitted for inspection.

Also, the under mentioned documents from the 34th Military Hospital, were not made available for our inspection:

- Bank Reconciliation Statements;
- Authority from the Accountant General relating to the opening of an account during the third and fourth quarters in the fiscal year, 2009;
- Admission Registers for the female surgical, medical and paediatric wards for 2008;
- Cash Book, receipts and other documents relating to revenue collection in the Hospital; and
- Delivery notes, receipt vouchers, certificates and issue records for Re-agent items.

Official's response

The Director General stated, in his reply, that the Procurement Officer had provided the necessary procurement documents in respect of the housing project at 5 Brigade and the supply of rice in 2008 and that all the above mentioned documents were now available for audit inspection.

The Ministry is yet to address these recommendations.

5.2.4. Review of Stores Management

Goods procured, to the tune of Le 140,632,500 were not recorded in a ledger to show how they were issued and the condition of the store left a lot to be desired.

It was recommended that the Director General must cause the general conditions of the store to be improved to enhance effective storage facilities. Furthermore, the store keeper should ensure that all store items were posted into the required store documents.

Official's Response

In response to the audit observation, the Director General stated that the Ministry of Defence was fortunate to have been identified for training in routine Stores Management, organized by the Accountant General's Department. He added that Store Ledgers and other store issue documents had been acquired and put into use. He also mentioned that repairs to the stores had been initiated and pesticides applied.

The Ministry is yet to address these recommendations.

5.2.5. Unsupported Payments

Various transactions, totalling Le 49,072,000 in respect of the 34 Military Hospital and the Nursing School, were without supporting documents. It was recommended that the Finance Officer should ensure that every expenditure in the Hospital and Nursing School must be fully supported by the necessary supporting documents, such as request letters, invoices, receipts, etc, and with immediate effect, the Commanding Officer must ensure that the supporting documents for the expenditure of the above amount were produced for inspection; or the full amount recovered and paid back into the CRF.

Officials Response

The Director General stated that the Military School of Nursing had been contacted and the under listed accountable documents were now available for inspection:

- *Supporting documents for Le4,200,000*
- *Supporting documents for Le44,872,000*

The Ministry is yet to address these recommendations.

5.2.6. Short supply of rice

A company was contracted to supply Le 1,638,000,000 worth of rice to the Ministry. It was however noted that only Le1,040,000,000.00 worth of rice was supplied, leaving a balance of Le 598,000,000.

Official's Response

The Director General stated in his reply that the Contractor, Harmony Trading Company, had paid directly to Ministry of Defence, the sum of Le247,865,000 and the balance Le350,135,000 worth of rice was supplied. The documents were available for audit inspection, he mentioned.

The Ministry is yet to address these recommendations.

5.3. Ministry of Education, Science and Technology

5.3.1. Headquarters

5.3.1.1. Revenue from sale of Bid Documents

Revenue from the sale of bidding documents, totalling Le46,500,000 was not banked. In addition, unofficial receipts were issued for the sale of bidding documents, totalling Le6,900,000. It was therefore recommended that the PS should ensure that pre-numbered receipts from the Government Printer were issued and monies banked on a daily basis or the earliest possible time. The total sum of Le53,400,000.00 should also be recovered from the officer(s) concerned by the PS and paid into the Consolidated Revenue Fund (CRF).

5.3.1.2. Review of Personnel Matters

A review of issues relating to personnel revealed that a total of Le1,139,804,076 was paid to 176 staff of the Ministry that were without Personal Files or Attendance Records. 52 staff files were not adequately updated and 17 staff files were completely empty. It was recommended that the PS should investigate the anomaly and maintain a correct staff list.

5.3.1.3. Management of Stores and Fixed Assets

Fixed Assets purchased, totalling Le 194,148,544 were not recorded in the relevant register. Controls over stores were weak and store items totalling Le 603,996,454 were not taken on ledger charge. In addition, Store Requisition Forms were not maintained and there was no inspection of store reports by the Inspecting Officer. It was recommended that the PS should produce evidence of store receipts and distribution lists to the respective units; otherwise he should refund the total sum of Le 798,144,998. Furthermore, he should ensure that an Inventory Register was maintained, the Store Keeper properly supervised and stores inspection conducted on a regular basis.

5.3.1.4. Imprest Account Administration

Withdrawals from the Imprest Account No.1100749 at the Bank of Sierra Leone, totalling Le 372,990,400 were not retired by the Ministry. It was recommended that the PS should ensure that special imprests were retired at the end of their purpose and must submit the retirement details supporting the utilisation of the special imprests; otherwise, the amount of Le 372,990,400 must be refunded.

5.3.1.5. Unpresented Documents

Procurement documents in respect of diets and works, totalling Le 5,850,350,688 were not available for inspection. In addition, the under mentioned records were not made available for inspection:

- Award of Grants-In Aid for the Financial Year 2009;
- Staff lists and Attendance Registers; and
- Subventions paid out in 2009

It was therefore recommended that the PS should produce and forward the documents for inspection; otherwise, the aforementioned amount should be refunded.

5.3.2. Unsupported Payments

Amounts, totalling Le 390,000,000 were made available to two Technical Vocational Institutes that were not in the approved Subvention List for 2010. In addition, returns were not produced for subventions disbursed in 2010, totalling Le 28,389,500. It was recommended that the Director, Technical & Vocational, should explain why payments were made to unapproved Technical/Vocational Institutions; otherwise, the amount of Le 390,000,000 must be refunded. Furthermore, he should

submit the returns to support the utilisation of payments made to various institutions; otherwise, the amount of Le 28,389,500 must also be refunded into the CRF.

Official's Response

It was noted that the PS did not respond to the observations and has therefore violated Section 64 (3) of the Government Budgeting and Accountability Act 2005 which states that: "Every query or observation under Section (2) received by Accountant General or any other person shall, within thirty days after its receipt by that person, be returned by him with the necessary reply to the Auditor General".

5.3.3. Bo District

5.3.3.1. Unsupported Payments

Records management in respect of fees subsidies remained an issue. As such, the auditors were unable to verify fees subsidies, totalling Le 249,357,000.

5.3.3.2. NASSIT Contributions

NASSIT employees' and employer's contributions of 5% and 10% respectively, were not deducted from payments to auxiliary staff and paid over to NASSIT.

5.3.3.3. Registration of Private Schools

The Ministry of Education Bo was unable to provide proof of registration of private schools in the District. In addition, at least two private schools in Bo City were unable to provide proof of registration with the Ministry.

5.3.4. Kenema District

5.3.4.1. Schools Inspection

The Inspection Reports provided were not sufficient and appropriate to confirm that every school was periodically inspected for the period under review. There was also inadequate control over the management of Fixed Assets and Stores.

5.3.5. Koinadugu District

5.3.5.1. Unsupported disbursements

Disbursements, totalling Le 526,564,222 were without supporting documents. In addition the Ministry did not maintain a Fuel Register to account for 532 gallons of fuel (estimated at Le 8,778,000). Furthermore, Staff Personal Files and Vehicle Log Books were not maintained. Several anomalies were also observed in the payment of School Fees Subsidies, Public Exams Fees and Grants-In-Aid.

5.3.6. Port Loko District

5.3.6.1. Unsupported disbursements

Payments, totalling Le 59,566,000 were without supporting documents. In addition, an amount of Le 25,000,000 received directly from the MEST headquarters, was neither paid into a bank account nor recorded in the Cash Book. It was furthermore observed that neither an inventory ledger nor an asset policy was in existence at the Ministry. Several anomalies were also observed in the payment of School Fees Subsidies, Public Exams Fees and Grants-In-Aid.

5.4. The Ministry of Mines and Mineral Resources

5.4.1. Administrative Division

5.4.1.1. Imprest Account Administration

Special Imprests, totalling Le 59,919,000 for the Financial Year 2007, were without the relevant retirement details/documents. It was recommended that the PS should ensure that special imprests were retired at the end of their purpose. In addition he should submit the retirement details (receipts and claim sheets) supporting the utilisation of the special imprests; otherwise, the whole amount must be refunded.

Official's Response

The PS in his reply stated that the retirement documents in respect of the above-mentioned amount were mislaid at the time of the audit exercise but fortunately they had been recovered and were available for inspection.

Our recommendations are yet to be implemented by the Ministry.

5.4.2. Mines Division

5.4.2.1. Controls over Receipt Books

One hundred (100) Diamond and Exporter Receipt Books were procured in the open market without the approval of the Government Printer or the Accountant General. Fifty (50) NRA Receipt Books, totalling \$2,500,000 and 275 Receipts in respect of Monitoring & Rehabilitation Fees, to the tune of \$74,000 and Le 106,000,000, respectively, were not submitted for audit inspection. Four (4) Diamond Dealers' Licences, totalling US\$16,000 were duplicated.

The following were recommended:

- The PS should always seek approval from the Government Printer or the Accountant General for future printing of Receipt Books in the open market;
- The total amount of Le 2,800,000 should be refunded by the Director of Mines into the Consolidated Revenue Fund (CRF). This relates to the hundred Diamond and Exporter Receipt Books;
- The Commissioner General of NRA, should submit the fifty receipt books or otherwise pay the amount into the CRF;
- The PS should ensure that the 275 receipts were submitted for inspection; otherwise the whole amount must be accounted for, by officers concerned;
- The Director of Mines should ensure that at all times copies of all receipts issued must be retained for audit inspection and references; and
- The Director of Mines should provide an adequate explanation for the duplication of Diamond Dealers' Licences; otherwise, the full amount must be paid into the CRF and receipt details forwarded to the Audit office for verification.

Official's Response

The Director of Mines explained that he saw the need for receipt books to be printed in the year, 2007 when he took over the office of the Director of Mines. Therefore a memorandum was written to the Government Printer, copying the Accountant-General and no reply was received from either of the two parties. He however stated that a letter had now been written to the Government Printer seeking formal approval for the printing of one hundred (100) Receipt Books so as to rectify the anomaly as it was compulsory for receipts to be issued when revenue was collected by the Department.

He mentioned that a memorandum had been dispatched to the Commissioner –General, NRA (enclosing a list of the required documents) for which a reply was being awaited. He also assured the Auditor General that copies of all receipts would be retained henceforth for audit inspection and reference purposes.

On the issue of duplication of licences the Director explained that the operating system at that particular time was that licenses were numbered and printed right from the computer which led to the creation of errors. He however mentioned that a new system had been developed for the numbering and printing of licenses which could be verified by ASSL.

Our recommendations are yet to be implemented by the Ministry. There was no evidence that the approval of the Government Printer was sought for the printing of receipts. Evidence of the memorandum to the Commissioner-General of NRA to respond to the audit query was submitted. However, there were no documents relating to the 275 receipts.

5.4.3. Review of Revenue Administration

Diamond and Gold Exporters' Licences, totalling \$40,000 and \$3,000, respectively, were neither recorded in the Licences Ledger nor banked. Out of a total amount of Le 146,225,849 received and recorded in the Assessment Register as Licences Fees, only the sum of Le 2,851,000 had receipts leaving an outstanding balance of Le 143,374,849 that was neither receipted for nor banked. In some instances, the names and addresses in the Licences Assessment Forms differed from those on the corresponding receipts issued. Revenue, totalling Le 535,373,317 was not reflected in the Bank Statement.

It was recommended that the Director of Mines should ensure that the amount of \$43,000, was recovered and paid into the CRF and with immediate effect, he should ensure that reconciliation statements were prepared between the Receipt Details and Assessment Register in respect of the outstanding amount of Le 143,374,849; otherwise the full amount should be recovered and paid into the CRF. In addition, by copy of the report, the Commissioner General NRA was expected to take action to recover the short fall from the Revenue Officer. Furthermore the Director of Mines should ensure that the sum of Le 535,373,317 must be recovered and paid into the CRF and he should have the receipt details submitted to ASSL for verification.

Official's Response

The Director of Mines in his reply stated that the Ministry had set up an investigating Committee to investigate the issue relating to the \$43,000, the outcome of which would be communicated to the Auditor-General. He mentioned that he had forwarded a reconciliation statement showing what the Ministry had in its records as amounts due to be paid by Individuals and Companies at that point in time and what was actually recorded as amount received by the NRA. The question of a difference of Le 143, 374,849 revealed, had been forwarded to NRA for explanation, he added. He further stated that in addition to demanding an official NRA Receipt before issuing a Valid License to Individuals/Companies he had developed the process further by requesting that a Bank-Paying-In-Slip should be attached to the receipt before a license could be issued.

My recommendations are yet to be implemented by the Ministry.

5.4.4. Payments to Chiefdom Authorities

On 5th June, 2009, the Deputy Secretary in the Ministry signed for and collected monies totalling Le 48,105,369 on behalf of chiefdom authorities for development purposes without any authority from the chiefdoms. Total disbursements of Le 1,284,535,884 to various chiefdoms in respect of developments from the Mines Monitoring Account, were without relevant supporting documents. Amounts, totalling Le 1,455,343,299 paid to chiefdoms for development purposes, were not acknowledged by recipients. It was recommended that the PS should provide a distribution list and evidence that the Chiefdoms received those monies; otherwise, the total amount of Le 48,105,369 must be refunded immediately and paid into the CRF. In addition, he should ensure that all PVs were supported by adequate

documentations like pro-forma invoices, receipts, etc. and authorised by the appropriate signatories before payment. Furthermore, evidence or receipt of payment should be produced for inspection; otherwise, the total amount of Le1,455,343,299 must be refunded and paid into the CRF.

Official's Response

The PS in his response stated that the officer who should be contacted was now retired and all efforts to trace him had proved futile. He however said that the Ministry was still making frantic efforts to contact him. He further mentioned that although the former Deputy Secretary could not be traced, the Ministry had put in strict measures in place i.e. each recipient of such funds would have to sign an agreement that they would be held responsible to the extent of their personal properties if reports were not submitted by them within a month from the date of the receipt of cash.

My recommendations are yet to be implemented by the Ministry.

5.4.5. Updating of Foreign and Regular Account Cash Books

The Foreign and Local Account Cash Books maintained by the Ministry in respect of the Mines Monitoring Fund were not regularly updated. As such, amounts totalling \$67,355 and Le 503,544,151 were not recorded in the Cash Books. Salaries and emoluments for Mines Monitoring Officers for the months of February and March, 2008 totalling Le 6,220,743 and Le 6,550,000, respectively, were without relevant supporting documents. Fifty (50) Motor Bikes, Protective Helmet and 30 Rain Gears, totalling Le 354,161,000 were purchased and alleged to have been issued on a cost recovery basis for Mines Monitoring Officers. There was no evidence that the items were delivered and received by the Ministry and neither a Distribution List nor a repayment schedule from the Mines Monitoring Officers was tendered for audit inspection. Withholding Taxes, totalling Le 52, 201,584 deducted from suppliers for the payment of goods and services were not paid over to the NRA. An instruction given by the Gold and Diamond Department Office (GDDO) dated 3rd December, 2008 to the Bank of Sierra Leone to pay Le 34,775,303 into the Area Mining Community Development Fund Account number 1400123, held at the Sierra Leone Commercial Bank, was not reflected in the Bank Statement. The Ministry failed to involve the Auditor General in the payment exercise for the Marampa Mines Caretaker Team, and, no report was submitted to the Auditor General.

The following were therefore recommended:

- The PS should ensure that all cash transactions must be recorded and regular reconciliations for both accounts carried out to avoid any loss or discrepancy between the cash book and bank statement;
- The PS should ensure that the relevant supporting documents were provided; otherwise the amount of Le12,770,743 must be refunded into the CRF. In addition, he should ensure that paid up salary vouchers were maintained for audit purpose;
- The PS should ensure that Delivery Notes, Distribution Lists and Recovery details in respect of Fifty (50) Motor Bikes, Protective Helmet and 30 Rain Gears were submitted for verification; otherwise, the full amount should be paid back into the CRF;
- He should ensure that the sum of Le55,212,434 was recovered and paid over to the NRA and receipts forwarded to ASSL for verification. In addition, by copy of that report, the Commissioner-General of NRA was expected to take necessary action;
- The Director of Mines should contact the bank to effect the payment according to the instruction; and
- The PS should submit the Payment Exercise reports to the ASSL.

Official's Response

The PS in his response explained that the Cash Books were not properly maintained during the period of audit but they were since now being updated regularly. He also mentioned that it was unfortunate that the documents relating to the Le 12,770,743 were in the custody of one Renka Koroma who had retired and cannot be traced. He further stated that it was regretted that retiring documents to cover the purchase of the Motor Bikes, Protective Helmet and Rain Gears were not produced at the time of audit, however, all of the accounting documents in connection with the transaction were available for inspection and the Motor Bikes had been supplied and were in the Ministry's store.

He noted that a memo had been forwarded to the Commissioner-General for a schedule of payments received from the Ministry of Mines to be submitted for the audit period 2007-2009 on all withholding taxes paid. Concluding, he mentioned that the Ministry would take appropriate action on the last ASSL's recommendations.

My recommendations are yet to be implemented by the Ministry.

5.4.6. Southern Region

5.4.6.1. Payment Vouchers and supporting documents

An analysis of the monthly expenditure of the ministry revealed that various payments, totalling Le 39,843,755,000 were without Payment Vouchers. In addition, expenditures, totalling Le 52,422,000 were without adequate supporting documents. It was recommended that all documents pertaining to the authorization, receipt of goods or services and payment of expenditure should be retained for audit inspection and references, so as to ensure that expenses were correctly recorded and properly accounted for.

Official's Response

The Mines Engineer in his reaction to these issues stated that the amount generated for the period January, 2009 to December, 2009 (i.e. Mines Monitoring and Rehabilitation fees) were internally expended for the urgent and smooth running of the division, so as to satisfy the various expenditure areas, for example Vehicles and Building maintenance, Generators and Computer running cost, Reclamation exercises, etc. Monies used from that fund over the years, he said, were supported by payment receipts and entered into the Expenditure Cash Book.

Our recommendations are yet to be implemented by the Ministry.

5.5. Ministry of Marine Resources

5.5.1. Missing Receipt Books

General Receipt Books relating to the License and Royalties Account, amounting to Le899,850,429 were not presented for audit inspection. It was therefore recommended that the Finance Officer must retain receipt books on which revenue had been collected and must ensure that the missing receipt books and their amounts collected on them were presented for inspection before the response date; otherwise, the Audit Service Act would take effect.

Official's Response

The PS in his response said that frantic efforts were made to locate those receipts or ascertain the issuance and to whom if they were issued. He mentioned that it was alleged by the officer who was in charge of storing financial documents that those books were issued to NRA officials and were not handed over to the current Finance Officer. He therefore concluded that these receipts books could not be produced for inspection at that moment.

We noted that the issue on Missing Receipt Books was still outstanding. General Receipt Books relating to the License and Royalties Account, amounting to Le899,850,429 were still not produced for inspection.

5.5.2. Review of Revenue Administration

A revenue of Le 1,182,787,662 paid by fishing companies as fines levied by the Ministry allegedly paid into the Fines Account, was not reflected in the Bank Statements presented for audit inspection. It was therefore recommended that the PS should ensure that monies collected as revenue for the Ministry must be paid into the appropriate account and the amount stated should be recovered and immediately paid back into the account

Official's Response

The PS in his response stated that the fines were paid into the bank and that copies of the bank statements were ready for verification.

The auditors on verification observed that out of the total of Le 932, 891,562 queried Le 735, 846,612 were seen in the Bank Statements, leaving an outstanding amount of Le 197, 044,950.

5.5.3. Unsupported Payments

Disbursements, totalling Le 2,370,509,661 from various Accounts operated by the Ministry, were without the relevant supporting documents. It was therefore recommended that the PS should ensure that before authorizing any disbursement, the PV must have been prepared and completed. In addition, in the absence of the relevant documents, the PS should ensure that the amounts stated above must be recovered and paid back into the appropriate account of the Ministry before the response date; otherwise, necessary action would be taken.

Official's Response

In his response, the PS stated that:

- *The monies paid into this account were standing and special imprests and that the amounts of special imprests do vary and taking a closer look at the audit query it was realized that some of the vouchers were prepared without supporting documents when withdrawals were being made.*
- *An analysis showed payment vouchers in respect of imprest sent to the Accountant General's Department and transferred to the imprest account for which payment vouchers were again prepared for their withdrawals. That analysis showed that in some instances two payment vouchers were prepared for the same payment. Submitted were documents which seemed to be duplicated and others which were direct withdrawals based on requisitions amounting to Le130, 550,500.*
- *Payment Vouchers and supporting documents for other transactions could not be traced at that moment.*
- *For the Account withdrawals, the previous Finance Officer alleged that the documents were surrendered to the Anti-Corruption Commission as they were investigating the former Minister of Fisheries and Marine Resources. Those documents had since not been returned.*
- *PVs and supporting documents could not be traced but efforts were still being made to locate and retrieve them from wherever they were.*
- *The Payment Vouchers were prepared by the ADB Artisanal Fisheries Project and the Project Manager had been asked to produce the documents. The Accountant was instructed to produce the said documents but failed to do so.*

The explanation from the PS was unsatisfactory. Disbursements, totalling Le 2,370,509,661 from various Accounts operated by the Ministry, were still without the relevant supporting documents to justify such payments.

5.5.4. Imprest Account Administration

An Imprest Account Cash Book was not maintained to account for imprests totalling Le 61,550,000. Also, an unexplained payment of Le769,035,712 was made into the Imprest Account. It was therefore recommended that:

- The PS should ensure that an Imprest Cash Book was maintained by the Ministry;
- The Finance Officer should ensure that an Imprest Payment Voucher was used for all Imprest payments and that such payments must be immediately posted into the Imprest Cash Book; and
- The PS must provide for inspection the pay-in-slips for the amount of Le769,035,712.00 paid in to the Imprest Account before the response date or appropriate action would be taken.

5.5.5. Unpresented Documents

In spite of repeated requests, procurement documents such as newspaper adverts, Bid documents, Bid opening minutes, Evaluation Committee meeting minutes, letter of Award and Contract, were not provided for inspection in respect of the following contracts:

- Rehabilitation of Bonthe, Tombo and Gbodapi Stations costing Le 160,000,000;
- Rehabilitation of Shenge Station costing Le 25,000,000;
- Rehabilitation of Gbondapi Station costing Le 35,000,000; and
- Rehabilitation of Konakridee Station costing Le 30,000,000.

In addition, documents such as Memorandum of Understanding, Cash Book, Bank Statements, Bank Reconciliation Statements, Financial Reports and Project Implementation Reports, were not made available in respect of the following Projects:

- EU funded-Artisanal Fisheries Development Projects;
- ADB funded-Artisanal Fisheries Development Projects;
- FAO Ecosystem approach to Fisheries Management;
- WI Manatee Projects;
- FAO Aquaculture Project;
- World Bank funded-West Africa Regional Fisheries Project;
- UNIDO Project on Capacity Building in Fisheries Sector;
- Result Based Management and Performance Tracking table; and
- Frame Surveys in the Artisanal Fisheries.

It was therefore recommended that the PS should ensure that the above stated records were made available for audit inspection or the Audit Service Act would take effect.

Official's Response

The PS stated in his reply that Project documents such as Memorandum of Understanding, Cash Book, Bank Statements, Bank Reconciliation Statements, Financial Reports and Project Implementation Reports were not submitted

up to the time of writing his reply in respect of the following projects:

- *EU Funded- Artisanal Fisheries Development Projects*
- *FAO Ecosystem approach to Fisheries Management*
- *WI Manatee Projects*
- *FAO Aquaculture Project*
- *UNIDO Project on Capacity Building in the Fisheries Sector*
- *World Bank Funded-West African Regional Fisheries Project.*
- *The Result Based Management and Performance Tracking Table, and Frame Surveys in the Artisanal Fisheries were not projects but programmes within the projects.*

The PS failed to submit these documents for inspection.

5.6. Ministry of Youth and Sports

5.6.1. Administrative Account Overdrawn

The Administrative Account (001-114630-03-00-01) was overdrawn by Le 292, 278,309 in respect of two international football matches in October, 2010. However, neither the approval from the Ministry of Finance nor the loan agreement between the Ministry and the Sierra Leone Commercial Bank (SLCB) was submitted to the audit team for review. Furthermore, interviews with the PS revealed that the said amount was held in trust for the Sierra Leone Football Association (SLFA) and that the overdrawn amount should be paid by SLFA instead of the Ministry. No agreement was produced to confirm this assertion. It was recommended that the PS should ensure that the written authorisation of the Accountant General and the loan agreement between the Ministry and SLCB should be submitted to the ASSL for inspection immediately.

Official's Response

The PS in his response stated that:

- *He wrote a letter to the Financial Secretary and copied the Accountant General upon which approval was granted.*
- *The chairman of the Sport Council gave his blessing on the matter, in the presence of officials of the Ministry of Education, Youth and Sports (Youth and Sports Division), Sierra Leone Football Association, and Sierra Leone Commercial Bank;*
- *The gate takings from both matches should partly offset the overdraft and the remaining from a \$50,000(Fifty Thousand dollar) television right contract awarded to SLFA.*
- *Because of negligence on the part of SLFA the contract was awarded to another company.*
- *Other meetings were held after the match to resolve the matter and SLFA promised to offset the overdraft since December 2010 from the grant received from FIFA.*
- *A letter had been sent to SLFA for recovery of the said amount.*

Prior approval of the Accountant General for the overdrawn amount was not produced for verification. The amount in question has still not been settled.

5.6.2. Procurement procedures not followed

An Expense Analysis revealed that payments totalling Le 224,333,950 were made to Pyramid Construction Systems for the rehabilitation of dressing rooms, toilets and offices at the National Stadium but copies of the contract document and records were not submitted to the audit team for review. Only one quotation from Pyramid Construction Company was submitted for review and the approval of no objection from the National Public Procurement Authority (NPPA) to use sole sourcing instead of National Competitive Bidding (NCB) was not produced.

Official's Response

The PS stated that procurement documents and records to support payments totalling Le 224,333,950 for the rehabilitation of dressing rooms, toilets and offices at the National Stadium were in place for the audit team to review.

The procurement documents and records relating to the award of the contract, totalling Le 224,333,950 were still not submitted for verification.

5.6.3. Personnel Issues

There were names of staff that had attained the official retirement age of sixty (60) years but whose names, were still on the Salary Voucher of the Sports Division of the Ministry. Of utmost concern, was the fact that the Ministry was still paying NASSIT contributions for them, regardless of the fact that they had passed their retirement age.

Official Response

Responding, the PS mentioned that:

- *The officials had been granted an extension of service on a month by month basis as there had been no support for training and recruitment for the Sports Council. They were technical staff and cannot be released without qualified replacements.*
- *A system was now in place to maintain personal files for all staff to be updated on a regular basis.*

An Extension of Service Letter dated 3 November, 2008 from the Director of Sport, addressed to the over-aged staff, and copied to the Accountant -General and Director- General of NASSIT was verified. However, the issue of staff that were on the Ministry's staff list and not on its Payroll Voucher had not been addressed by the Ministry.

5.6.4. Unsupported Payments

Disbursements, totalling Le 456,335,200 were made to various Sporting Associations for which returns were not submitted to substantiate the utilization of funds.

Official's Response

The PS in his response stated that the Ministry had summoned a meeting with the Associations and had written to them officially to submit their returns as a matter of urgency.

It was however noted that supporting documents were only submitted for a total of Le 53,434,000 leaving a balance of Le 402,901,200 that was not retired by the various Sporting Associations.

5.6.5. Control over the distribution of fuel

There were inadequate internal controls over the issue of fuel. Fuel, totalling Le 10,477,500 was issued to eight (8) unserviceable vehicles that were in a private garage.

Official's Response

In his response the PS mentioned that it was very unlikely under his administration to sign fuel chits for eight (8) unserviceable vehicles that were in private garages for repairs and maintenance. The ministry was not in possession of eight (8) unserviceable vehicles and that some batches of chits that were misplaced had been recovered, posted and reconciled against the Suppliers' Statement.

The management response provided by the Ministry did not address the issues raised by the auditors.

5.7. Ministry of Trade and Industry

5.7.1. Review of Fuel Administration

In the absence of adequate documentation, a total of Le 212, 961,600 spent on fuel could not be supported. It was recommended that the Finance Officer should start with immediate effect, to account for fuel usage, by the use of fuel chits, fuel register and vehicle logbooks.

Official's Response

The PS in his reply stated that the recommendation was noted. He added that a fuel register and distribution list used to issue fuel by the Accountant had been located and was available for inspection. He further stated that fuel purchased was always issued on an authorized fuel chit and copies of the fuel chits stubs could be verified on the audit team's next visit.

5.7.2. Imprest Account Administration

An Imprest Cash Book was not maintained to account for amounts totalling Le102,500,000. It was recommended that the PS should ensure that an Imprest Cash Book was maintained by the Ministry and that the Finance Officer, must ensure that imprest received and paid out should be immediately posted into the Cash Book for proper accountability and control.

Official's Response

In his reply the PS stated that the audit recommendation was noted. He added that an Imprest Cash Book was used by the Accountant to record imprest transactions and it would be made available on the Audit team's next visit.

5.7.3. Reconciliation of the Expenses Analysis and the Vote Service Ledger

Controls on reconciliation between the Accountant General and the Ministry showed a difference of Le324,654,414 between the Vote Service Ledger of the Ministry and the Expense Analysis from the Accountant General's Department. It was recommended that the Finance Officer should take immediate action to reconcile the Expense Analysis Print-out with the Vote Service Ledger on periodic basis.

Official's Response

In his reply the PS stated that the audit recommendation was noted and that the Finance Officer had started the reconciliation between the Expense Analysis Print-out and the Vote Service Ledger on a monthly basis.

5.7.4. Unpresented Documents

Despite several requests (verbal and written), the under mentioned documents from the Ad Hoc Committee on the Marketing of Produce, were not made available for audit inspection:

- Project documents;
- Memorandum of Understanding;
- Financial Statements;
- Report on the collection of Export Levy;
- Report on the Marketing of Produce;
- Any other relevant reports;
- Bank Statements of account operated during the period; and
- Bank reconciliation Statements.

It was recommended that the records should be made available to ASSL for inspection.

Official's Response

The PS stated that the documents had been retrieved from the committee and forwarded to Senior Auditors Western Area.

We noted during our follow-up on the responses of the Permanent Secretary, Ministry of Trade and Industry that the issues raised were not given the necessary attention they deserved. Our recommendations are yet to be implemented by the Ministry.

5.8. Ministry of Foreign Affairs and International Cooperation

5.8.1. Unpresented Documents

In spite of several requests (verbal and written) made by the auditors, documents relating to the Peace Building Fund, Refugee Secretariat and Human Rights were not made available for audit inspection.

It was therefore recommended that the Director General should ensure that the records were made available for audit inspection.

5.8.2. Payroll of Foreign Missions

The Ministry did not post qualified Accountants as Financial Attachés. According to posting letters, the stipulated duration for working in Foreign Missions was four (4) years with multiple entries for an assigned official. However, samples selected proved that some staff had done more than the stipulated time in the Missions. Each Mission staff was entitled to receive allowances every month for a maximum of three (3) children under-eighteen (18) years. An examination of sampled Birth Certificates revealed that about fifteen (15) children above eighteen years were still benefiting from the allowances. A Trade Officer in the Mission in London was summarily terminated in December, 2008 because of illegal immigration. However, his name still appeared in the payroll in January, 2009 for which he was paid \$1,100. There was no evidence that this amount was paid back into the CRF.

5.8.3. Foreign Policy

It was observed that a Foreign Policy was not in existence. It was therefore recommended that the Director General should ensure the development of a foreign policy, with immediate effect.

5.8.4. Imprest Account Administration

An Imprest Account Cash Book was not properly maintained for imprest accounts totalling Le 178,722,500.

5.8.5. Stores Management

There was no storage facility and no Store Keeper in the Ministry. In addition, various store items, totalling Le 191,101,500 were neither posted in the Stores Ledger nor were Distribution Lists available for inspection.

5.8.6. Fuel Distribution

An examination of the Fuel Distribution List and Fuel Ledger disclosed that although there were thirteen (13) assigned Government vehicles, five (5) Poll vehicles and two (2) dispatch bikes, the Ministry provided fuel for thirty (30) private vehicles.

It was therefore recommended that the VC should ensure that the issuance of fuel was only to the government assigned vehicles in the Ministry and that the poll vehicles were to be used by other officers for official purposes only.

Official's Response

The Director General did not respond to the above audit observations and findings and has thus violated Government Budgeting and Accountability Act Section 64 (3) which states that: "Every query or observation under subsection (2) received by the Accountant General or any other person shall, within thirty days after its receipt by that person, be returned by him, with the necessary reply to the Auditor General".

5.9. Ministry of Labour and Social Security

5.9.1. Review of Revenue Administration

Several anomalies were observed in the collection, recording and reporting of financial transactions.

- Fees paid by registered factories, totalling Le 7,240,000 were recorded without NRA receipts;
- Revenue, totalling Le 22,596,000 for the issuance of Work Permits allegedly paid to bank was not reflected in the Bank Statement submitted for inspection; and
- Differences, totalling Le 16,510,000 were observed between the Revenue collected and payments made to bank.

It was recommended that the PS should ensure that the total amount of Le 46,346,000 must be accounted for by officers concerned. It was also recommended that the Commissioner General, NRA should take necessary action on the revenue situation at the Ministry.

Official's Response

The PS stated that:

- *The necessary receipts were available for inspection and verification;*
- *The NRA officer had not produced for his attention any evidence of the original receipt that was cancelled;*
- *Revenue collected from the sale of Application Form had still not been tendered to his office; and*
- *The NRA officer responsible for the Receipt of Revenue paid for the issuance of work permit, had not reached his desk even when responding to the query, nor did he produce any evidence of reconciliation statements to ascertain the difference between the revenue collected and payments made to bank.*

Our recommendations are yet to be implemented by the Ministry.

5.9.2. Unsupported Payments

The following observations were noted:

- Amounts, totalling Le 80,000,000 withdrawn from Account Nos. 1100752 and 11467203 operated at the Bank of Sierra Leone and Sierra Leone Commercial Bank, respectively, were without relevant documentation to support the expenditure;
- Disbursements, totalling Le 131,841,500 and Le 42,406,200 in respect of the Social Safety Net and the Administrative Divisions, respectively, were without the relevant supporting documents; and
- The sum of Le 4,000,000 was paid for Internet Service for the Factory Inspectorate Division but this service had not been rendered.

It was recommended that:

- The PS should ensure that all relevant documentation relating to the withdrawals were produced for verification; otherwise, the whole amount must be refunded;
- The PS should produce retirement details totalling Le42,406,200. In addition, the Director, Social Safety Net Division, should provide the relevant documents to support the payments; otherwise, Le131,841,500 must be refunded into the CRF. Moreover, the PS should ensure that the service was provided; otherwise, Le 4,000,000 should be refunded into the CRF.

Official's response

The PS stated that:

The amount of Le 80,000,000 that was withdrawn from the two accounts was actually expended for the intended purpose and in fact the expenditure was done through the banking system.

He regretted that during the audit exercise some of the supporting documents had not been seen but however confirmed that they had been found and were ready for inspection and verification.

The amount of Le 131,840,500 disbursed in respect of the Social Safety Net Division was actually done through the banking system and since the Division was a unit of its own in the Ministry, before expenditure could be undertaken, the procurement committee had to convey a meeting for the approval of that expenditure and there must be a minute to the effect.

The Division had its own internal PVs, and having produced the cheque stubs for audit inspection he believed the matter was closed. At any rate, he said, all required documents were available for verification.

Concerning the disbursement of Le 42,406,200, the Administrative division had the entire necessary documents required. However, the division failed to photocopy the relevant supporting documents in respect of the above amount incurred, including minutes of the Procurement Committee, however all of the documents were ready for verification.

The amount was actually paid to the contractor without/ before rendering the internet service. He added that there was an agreement between the Department and the Contractor (AFCON SL LTD.) for which payments were to be made on a quarterly basis after performing his duty. He indicated the amounts were paid to the contractor on humanitarian grounds, having lost his wife on a road accident and his appeal to us for help. However the service has been done/ rendered.

Out of a total of Le 131,840,500, the supporting documents that were verified totalled Le 93, 241,500 leaving an outstanding balance of Le38,600,000. Also, amounts of Le 80,000,000 and Le 42,406,200 as well as a further Le 4,000,000 were still without supporting documents.

5.9.3. Imprest Account Administration

Imprest Accounts totalling Le 42,534,354 were not fully retired. It was therefore recommended that the PS should produce retirement details; otherwise the amount should be paid back into to the CRF.

Official's Response

In his reply, the Director stated that the amount referred to in respect of Le 5,000,000 as special imprest was actually expended for its intended purpose. He however said that, because of the urgency, the relevant retirement details were not photocopied before they were forwarded to the Accountant General's Department. He confirmed that they had been retrieved from the Accountant General and were ready for inspection and verification. In addition, he stated that the amount of Le 35,926,354 had been posted into the cash book and all relevant documents had been put in place for inspection. Finally, he mentioned that travelling claims totalling Le 1,608,000 paid to the Clerk on behalf of the messengers was done on the basis of an authority given to the Clerk on behalf of the Messengers. He agreed that the Clerk did sign the document on behalf of the messengers.

Our recommendations are yet to be implemented by the Ministry.

5.9.4. Failure to withhold taxes

Withholding taxes, totalling Le 8,179,000 were not deducted for goods and services purchased by the Social & Safety Net Division and paid over to the NRA.

It was recommended that the Director, Social Safety Net Division, should recover the sum of Le 8,179,000 from the Contractors/Suppliers, pay it to the NRA and forward copies of receipt details to the Auditor General for verification.

Official's Response

The Director, in his reply, stated that the Division considered the Audit recommendations very useful and in that regard, a letter had been sent to some of the suppliers to recover the Withholding tax. The letter he said was available for verification.

Our recommendations are yet to be implemented by the Ministry.

5.9.5. Review of Fixed Assets Management

Fixed Assets purchased totalling Le 18,350,000 were not recorded in the relevant Register.

It was therefore recommended that the Accountant should submit record details of assets purchased during the period under review.

Official's Response

The Director in his reply stated that the Division considered the Audit recommendations very useful and in that regard, the Division was in the process of maintaining, regularly up-dating and recording all movement by way of additions to, or disposals of Fixed Assets in the Fixed Assets Register. In addition, he mentioned that assets would be given identification marks and location of Inventory identified in respect of assets totalling Le 18,350,000 which could be verified.

Our recommendations are yet to be implemented by the Ministry.

5.10. Ministry of Tourism and Culture

5.10.1. Unsupported Payments

Disbursements, totalling Le 7,307,118,540 were without the relevant supporting documents. It was recommended that the PS should ensure that all the supporting documents were produced for inspection; otherwise, the aforementioned amount should be recovered and paid back into the CRF.

5.10.2. Review of Imprest Accounts Administration

Imprest accounts totalling Le 157,778,000 were not retired. It was therefore recommended that the PS should ensure that retirement details were produced for the above mentioned amount; otherwise, it should be recovered and paid back to the CRF.

5.10.3. Review of Fuel Administration

Several internal control lapses were noted in the management of fuel. Fuel, to the tune of Le 5,065,400 was issued to personnel who were not entitled to receive it. Le 13,588,000 worth of fuel was alleged to have been issued to vehicles that were not roadworthy. In addition, fuel amounting to Le 12,692,500 was issued to vehicles not assigned to the Ministry. It was also observed that in some instances, excess fuel to the tune of Le 12,421,900 was supplied to the Generator and officers of the Ministry. It was recommended that the PS should ensure that fuel supplied was properly controlled and issued only to eligible staff and road worthy vehicles and that the Accountant should recover the full amount of Le 43,767,800 and have it paid back into the account.

5.10.4. Review of Stores Management

Store items, totalling Le 149,593,800 were without the relevant stores records such as Invoices, Delivery Notes, Receipt Vouchers, Store Issue Vouchers, etc. In addition, there was no evidence that these store items were taken on ledger charge nor were distribution details available for inspection.

It was also noted that there was a variation between the market price of an LG Plasma Television and the invoiced price that was eventually paid by the Ministry; resulting in an excess payment of Le 4,500,000 for which the Ministry received no further benefit.

It was noted that the PS did not respond to the observations and has therefore violated Section 64 (3) of the Government Budgeting and Accountability Act 2005 which states that: "Every query or observation under Section (2) received by Accountant General or any other person shall, within thirty days after its receipt by that person, be returned by him with the necessary reply to the Auditor General".

5.11. Ministry of Social Welfare, Gender and Children's Affairs

5.11.1. Review of Imprest Accounts Administration

Imprest accounts totalling Le 181,689,900 were not retired.

5.11.2. Fuel Administration

Major control weaknesses were observed in the management of fuel. In addition, there was the lack of authority and relevant documents to justify the distribution of fuel amounting to Le 180,737,500. It was therefore recommended that the PS should ensure that all fuel issued should be entered in the Fuel Register with the signatures of the recipients and updated. All documents pertaining to fuel distribution should also be extended to ASSL; otherwise, he should refund the sum of Le 180,737,500.

5.11.3. Procurement Procedures not followed

Procurements were done without the adequate process of at least three (3) quotations. Payments, amounting to Le 38,594,000 were effected without due regard for the three competitive Request for Quotations. It was recommended that the PS must provide all RFQs within thirty days of receipt of the report for audit verification; otherwise, the above amount of Le 38,594,000 should be refunded to the Consolidated Revenue Fund.

5.11.4. Unsupported Payments

Disbursements, totalling Le 282,000,000 were without the relevant supporting documents. It was therefore recommended that the PS should produce/submit the relevant supporting documents within 30 days of the receipt of this report; otherwise, the whole amount should be refunded to the CRF.

It was noted that the PS did not respond to the observations and had therefore violated Section 64 (3) of the Government Budgeting and Accountability Act 2005 which states that: "Every query or observation under Section (2) received by Accountant General or any other person shall, within thirty days after its receipt by that person, be returned by him with the necessary reply to the Auditor General".

5.12. Ministry of Agriculture, Forestry and Food Security

5.12.1. Headquarters

5.12.1.1 Agricultural Sector Rehabilitation Projects (ASREP)

An amount of Le 398,975,000 withdrawn from a Bank Account was without the relevant supporting documents. In addition, \$135,000 transferred from a Dollar Account to a Leone Account was not reflected in the Bank Statement.

5.12.2. Bo District

5.12.2.1 Review of Stores Management

The management's supervision of the Department's stores was poor, resulting in the loss of 1,100 bushels of Seed Rice, 173 bags of Seed Rice, 30 Tarpaulins, 3 Sets of Protective Clothing and 1 Manual Sprayers.

5.13. Ministry of Justice

5.13.1. Supreme Court

5.13.1.1 Poor Internal Control Procedures

A review of operations of the Supreme Court revealed major lapses in the Internal Controls within the Department. It was recommended that controls should be in the area of Petty Cash management, Documents management and Payroll management.

5.13.2. Court of Appeal

5.13.2.1 Procurement Procedures

Procurements totalling Le 10,500,000 were made in the area of stationery without the adequate process of at least three (3) quotations. It was therefore recommended that, with immediate effect, the procurement of stationery must comply with the three pro-forma invoices regulation.

Official's Response

The Registrar, in his response, replied that the process had been adhered to and that appropriate action had been taken for the purchases of stationery.

5.13.2.1. Management of Fixed Assets

The purchase of fixed assets, totalling Le 21,250,000 was not recorded in the relevant Register. It was therefore recommended that a Fixed Assets Register as per the Financial Management Regulations should be developed as soon as possible and that the VC must ensure that the location and state of all assets were checked on a regular basis, evidence of which must be documented.

Official's Response

The Registrar noted, in his response, that he was pleased to inform ASSL that action had been taken as recommended and that a Master Inventory Ledger had been put in place for inspection. He further stated that all assets at the Court of Appeal had been labelled.

The situation in this institution is still pending.

5.13.3. High Court

5.13.3.1. Review of Revenue Administration

A review of the Financial Management System of the High Court under the control of the Master and Registrar, revealed that the NRA collector failed to forward returns for revenue collected on behalf of the High Court and revenue collected was not banked on a daily basis. It was recommended that:

- Weekly/monthly or quarterly returns should be forwarded to the VC;
- All duplicate copies of Receipt Books should be made available and forwarded to the ASSL for audit verification;
- The missing receipt should be accounted for; and

- All revenue collected must be paid into the CRF within twenty four hours.

Official's Response

The NRA officer stated, in his reply, that the audit recommendation had been adhered to and the weekly/ monthly or quarterly returns were forwarded to the VC and the Principal Accountant. He added that duplicate copies of all receipt books listed by the auditors and missing receipts were available and ready for further verification. He furthermore said that it was clear that all revenue collected by the NRA staff in the Sierra Leone Judiciary was paid promptly into the CRF.

5.13.3.2. Probates and Honoraria

It was also noted that there were inadequate controls over Probate Fees management and receipts for Allowances and Honorarium. Honorarium paid to Justice of Peace (JPs), to the tune of Le 9M, were not signed for and there was no evidence of receipt of payments to the tune of Le 1.645M made to Jurors. It was therefore recommended that an update on all probate files should be recorded in the Probate Register and that a Probate Cash Book must be in operation to record all charges levied on estates with the dates of payment and NRA receipt numbers. In addition the sum of Le 7,500,000 should be refunded and details forwarded to ASSL for further verification.

Official's Response

The Master and Registrar in his response noted the audit recommendations adding that the Department had decided to maintain probate cash book with the following adherence:

- *All updated probate files were recorded in the Probate Register*
- *Probate Cash Book was fully in operation to record all charges levied on estate with the dates of payment and NRA receipt numbers.*
- *The file in respect of the estate of George Suliaman for the sum of Le7,500,000 and the Probate Cash Book unit were readily available for inspection.*

5.13.3.3. Contract agreement for Judges

Contracts for five judges on secondment, totalling Le 1Bn. was not made available for inspection. There was no policy in place for the employment of the judges. It was recommended that a Policy agreement should be in operation to state the number of years a retired Judge/Magistrate or staff should serve in the judiciary after retirement.

5.14. House of Parliament

5.14.1. Imprest Account Administration

Activities were carried out by Parliament for which we were unable to ascertain how funds were utilised. There were no supporting documents to verify the use of a total of Le619,025,000 for various activities. It was recommended that the Clerk of Parliament must, with immediate effect, produce retirement details for the disbursement of Le619,025,000 or the full amount recovered and paid back to CRF.

Official's Response

In his response, the Clerk of Parliament said that imprests received were always retired by that institution. Generally, Standing Imprests were reimbursed from the Accountant General on the condition that previous ones received were adequately retired, he added. He also stated that Special Imprests were always required for specific purpose(s) and on specific condition (s).

He explained that during the period under review, most of the retirement details in respect of a Special Imprest of Le619,025,000.00 were not copied and retained but were all forwarded to the Accountant General's Office. He said the documents had been retrieved, copied and retained by the institution to be verified. In addition, he said detailed reports on all of the oversight functions relating to monies disbursed were appropriately filed and could be examined.

In spite of that assurance from the Clerk of Parliament, copies of retirement details in respect of the sum of Le619,025,000 were still not available for verification.

5.14.2. Reconciliation of the Expenses Analysis and the Vote Service Ledger

Reconciliation between the Accountant General and Parliament showed a difference of Le2.81 billion between the Vote Service Ledger of the Parliament and the Expense Analysis from the Accountant General's Department. In addition, duplicate payments of Le53,698,000 were noted in the Expense Analysis. It was therefore recommended that the Accountant, with immediate effect, should start reconciling the Expense Analysis Print-out with the Vote Service Ledger to be reviewed by a senior officer on periodic basis. Also the Clerk of Parliament must recover the amount of Le53,698,000 observed as recycled payments, with immediate effect.

Official's Response

In his reply the Clerk of Parliament said that Reconciliation exercises between the Vote Service Ledger and the Expense Analysis Print-Out from the Accountant General's Office had always been a problem as Print-outs from the Accountant General were not always received on time. He further said that a detailed reconciliation had been carried out between the Vote Service Ledger and the Expense Analysis Print-out from the Accountant General's Office. The Accountant General's Office had therefore been informed of the duplicate payments to the tune of Le53,698,000 and a reconciliation statement was awaited.

It was however noted that reconciliation was still an issue of concern in this institution.

5.14.3. Fuel Administration

Fuel Register and fuel chits were not in use to account for fuel, amounting to Le254,782,250. It was therefore recommended that the Accountant, with immediate effect should start maintaining a fuel register and fuel chits for the distribution of fuel. Furthermore, the Accountant must present the fuel chits and fuel register with immediate effect or the amount involved should be recovered.

Official's Response

The Clerk of Parliament noted the recommendation and stated that a Fuel Register was in use and Distribution Lists in respect of fuel issued out by the Accountant were retained for inspection. In addition, he said all fuel purchased was always issued on Fuel Chits approved by him, copies of which were available for verification.

It was however noted that the Fuel Register and Fuel Chits, were still not available for verification.

5.14.4. Unpresented Documents

In spite of repeated requests, a procurement issue was not verified as relevant procurement documents, were not submitted for audit inspection. It was therefore recommended that:

- The Procurement Officer should ensure that procurement documents were maintained for every contract;
- The Procurement Officer should produce procurement documents relating to the award of contract to H&Y Enterprises and a special service contract between the International Organisation for Migration and Parliament; and
- The contract relating to the canteen should be properly looked into, to determine how much the contractor should pay for the facilities used.

Official's Response

The Clerk of Parliament responded that prior to the period examined, the filing system in the Procurement Unit was not quite adequate and there had been much improvement in that regard and as such copies of newspaper adverts, evaluation of bids reports, minutes of procurement committee meetings, award letters and contract agreements were now retained.

He further maintained that the procurement service for the recruitment to twenty (20) contractual workers was carried out by the Procurement Unit of IOM. Advertisement in Newspapers, short listings, interviews to which UNPSIL, Public Service Commission and Parliament were represented were all carried out by the IOM he added. He further said that they also issued Contract Agreements to all successful applicants and all documents relating to that process were in their custody.

The issue is yet to be addressed by Parliament.

5.14.5. Review of Stores Management

Store items, totalling Le 531,253,960 were not recorded in an Allocated Stores Ledger to show how the items were accounted for by the institution. In addition, toners costing Le 6,900,000 were not posted in the Store Ledger. It was recommended therefore that the Clerk of Parliament with immediate effect should recommend the recruitment of a qualified store keeper to be in charge of the store in Parliament and the procurement officer should account for the Le 6,900,000 worth of toners procured for parliamentary use.

Official's Response

In his reply, the Clerk of Parliament stated that the House of Parliament had no adequate store space and a specific Storekeeper. Store duties were carried out by a designated staff in the Accountant's Office, who was knowledgeable in stores operations, he stated. He further said that the store space would improve upon the completion of the on-going construction projects for the accommodation of offices.

With regard to toners totalling Le6,900,000 the Clerk said that the Allocated Stores Ledger had been reconciled with the requisitions and issue records and was confident that the toners had been requested for, approved by the Clerk and issued to various sections for official purposes.

This issue is yet to be addressed by Parliament.

5.14.6. Project under the supervision of Parliament

Instead of one IOM officer, the Clerk of Parliament or one Honourable Member of Parliament being signatory to the account as dictated by Article 4(5) of the Agreement, the Clerk of Parliament and two Honourable Members were signatories, thereby violating Article 4(5). It was also observed that Article 4(6) of the MOU was violated, as no financial and narrative reports were made available for audit inspection. It was therefore recommended that the MOU should be implemented according to its dictates wherein each party should adhere to it in full.

Official's Response

The Clerk of Parliament in his reply stated that as regards signatories to the account, some amendments to the MOU had been made by Parliament and the IOM. It was then unanimously agreed that the Clerk and an Honourable Member of Parliament could sign in the absence of the IOM Officer. He also stated that financial and Narrative Reports on the activities of the Project had been prepared and submitted to the IOM for the period under review. That he said was a key requirement for the accessing of funds as and when required. Copies of the reports could be examined by the Audit team, he further mentioned.

This issue is yet to be addressed by Parliament.

5.15. Provincial Secretary's Office

5.15.1. Southern Region

5.15.1.1. Unpresented documents

In spite of repeated requests, vital documents were not submitted for inspection. In addition, several PVs, totalling Le 74,304,186 were without supporting documents. Withholding taxes, deducted from suppliers for the payment of goods and services, were not paid over to the NRA. The Assets Register was also not properly maintained. Payment of rent for Government Quarters were not deducted at source and paid over to the relevant account and as such, occupants of various Government Quarters within Bo owed Government rent to the tune of Le 11,328,000. Very little supervision and monitoring of Government Quarters took place in Bo and as such serious encroachment was done by the community people on Government lands. There was no appraisal system in place at the Provincial Secretary's Office.

We however noted that the Provincial Secretary did not respond to the observations and has therefore violated Section 64 (3) of the Government Budgeting and Accountability Act 2005 which states that: "Every query or observation under Section (2) received by Accountant General or any other person shall, within thirty days after its receipt by that person, be returned by him with the necessary reply to the Auditor General".

5.15.2. Eastern Region

5.15.2.1. Weak internal controls and procedures

Controls over the general processing of Payment Vouchers were weak. In addition, an amount of Le 17,300,000 withdrawn from the Petty Cash Account was not retired. The sum of Le 13,400,000 in respect of the first and second quarterly allocations made to this office was also not brought to account. Documentary evidence to justify expenditures totalling Le 57,734,000 was not available for examination. Furthermore, withholding taxes, deducted from suppliers for the payment of goods & services were not paid over to the NRA. Procurements were done without the adequate process of at least three (3) quotations being followed and there was inadequate control over the management of Fixed Assets and Government Quarters.

It was noted that the Provincial Secretary did not respond to the observations and has therefore violated Section 64 (3) of the Government Budgeting and Accountability Act 2005 which states that: "Every query or observation under Section (2) received by Accountant General or any other person shall, within thirty days after its receipt by that person, be returned by him with the necessary reply to the Auditor General".

5.16. Sierra Leone Police

5.16.1. Headquarters - Failure to withhold taxes

Withholding taxes, to the tune of Le 7,360,250 were not deducted and paid over to the NRA.

5.16.2. Eastern Region - Stores management

There was inadequate control over the management and recording of store items and Fixed Assets.

5.16.3. Southern Region - No supporting documentation

Disbursements, totalling Le28,830,000 were without adequate supporting documents.

Official's Response

The Assistant Inspector General, South in his response stated that the relevant supporting documents such as receipts, requisitions, Pro-forma invoices, delivery notes, certification, Job cards, etc. on identified payment vouchers for the period under review 2007 – 2010 that were not seen during the auditing, had been traced from the filing box and attached to the said payment vouchers for our inspection. Supporting documents for identified PVs for the period 2009 and 2010 that were not available during auditing had been traced and were attached to the PVs.

It was however noted that these documents were not available for verification purposes.

5.17. Sierra Leone State Prisons

5.17.1. Headquarters

5.17.1.1 Unpresented Documents

In spite of repeated requests, several accounting documents such as Procurement Ledgers, Cash Books, and Duplicate Receipts Books for the period under review were not produced for Audit Inspection.

5.17.1.1. Review of Stores Management

Significant differences amounting to Le 138,840,000 were noted between the Stores Ledgers and physical stock take in respect of various store items. In addition, the storage facility for drugs in the dispensary was in a deplorable state. It was recommended that the VC should ensure that the Store Keeper must account for store balances, amounting to Le 138,840,000.

5.17.1.2. Unsupported Payments

Ten (10) PVs, with expenditures totalling Le 35,310,000 were without adequate supporting documents.

5.17.1.3. Imprest Account Administration

Several anomalies were noted in the administration of the imprests system. The sum of Le 33,631,000 was spent by the Headquarters and Western Area on photocopying, even though there was a Photocopier at the department. Furthermore, Imprest PVs were not prepared for the disbursement of imprests by both the Headquarters and Western Area.

5.17.2. Eastern Region

5.17.2.1. Inadequate Office and Stores Space

There was no store for drugs and dietary products. The cells within the Prison were used as storage facilities. The poor environmental state of these cells could put the health and safety of both staff and prisoners at risk.

It was therefore recommended that the Director of Prisons in collaboration with the Ministry of Internal Affairs should ensure that that issue was immediately addressed.

Official's Response

The Regional Commander in his reply stated that stores for drugs and dietary products would be addressed in due course as and when funds were available to construct a store. He however mentioned that management had put credible officers to be in charge of the drugs and dietary products.

5.17.3. Southern Region

5.17.3.1. Imprest Accounts Management

Imprest accounts totalling Le 26,000,000 were not retired.

Official's Response

We were informed by the Regional Commander that the records were retained at the Prisons Headquarters in Freetown.

Copies of retirement details were neither maintained by the Southern Region Office, nor retrieved from Headquarters and submitted for inspection.

5.17.4. Northern region

5.17.4.1. Withholding Taxes

Withholding Taxes, deducted from suppliers for the payment of goods & services were not paid over to the NRA.

5.17.4.2. Review of Imprest Accounts Management

The Department failed to operate an Imprest Bank Account for which the sum of Le60,000,000 was remitted. Instead the amount was kept in a cabinet in the office of the Officer-in-Charge. In addition, Imprest payments to the tune of Le8,200,000 were without retirement details.

5.18. Administrator and Registrar General's Department

5.18.1. Unauthorised Opening of a Commercial Bank Account

An account (Account Number:001-110419-03-00-05) was opened at the Sierra Leone Commercial Bank, without authority from either the Minister of Finance and Economic Development, or the Accountant General. It was therefore recommended that evidence of authority to open that account should be provided; otherwise, the Accountant General should take necessary action.

Official's Response

The Administrator and Registrar General in his reply stated that he had never violated the regulation regarding the opening of a bank account in the name of a Government NRA Transit Accounts at the Sierra Leone Commercial Bank which was formally opened by the Accountant General. Evidence of this, he said, was communicated to the Administrator and Registrar General with copies extended to the Acting Commissioner General and Director of Finance.

The document substantiating the opening of the said account was produced for inspection. However, the account number in the Management Letter was different from that tendered for verification.

5.18.2. Mismanagement and reporting of revenue

Cheques received by the NRA were not recorded in the Cash Book. ARG revenue collected by the NRA, was paid into a Transit Account belonging to another MDA. The sum of Le 40,966,000 collected and deposited into the ARG/NRA Transit Account at the (SLCB), was not reflected on the Bank Statement.

Date	Account Name	Account Number	Amount Le
19.11.2010	ARG/NRA Transit Acct.	001-110419-03-00-05	12,400,000
26.11.2010	“	“	19,233,000
03.12.2010	“	“	9,333,000
TOTAL			40,966,000

On the 13th October, 2010 transfers from the ARG Transit Account to the Bank of Sierra Leone Administrator General's Account, totalling Le 18,204,000 was not reflected on the Bank Statement.

Official's Response

Replying, the Administrator and Registrar General stated that:

- *The Cheques received and paid into the bank were not recorded on any cash book as the true picture of what was collected by the Department couldn't be achieved.*
- *There were oversights due to large amounts of receipts written. Therefore a computerized data entry as opposed to manual entry could help mitigate the issue.*
- *Cash collected by the NRA Collector was deposited into other accounts apart from the ARG Transit Account at SLCB.*
- *Monies (Le 112,943,827) were deposited in different NRA accounts (Immigration and Fisheries) at the same Commercial Banks. This was not done deliberately; it was a mistake and will be corrected in the future.*
- *Cash of Le 4 0,966,000 collected and deposited into ARG Transit Account as per paying-in-slip but did not reflect on the Bank Statement.*
- *All payments that were made with proof of non reflection in the bank statement, be best addressed by the bank.*

The Department acknowledges that the issue is yet to be addressed.

5.19. Cabinet Secretariat

5.19.1. Fuel issued to unauthorised persons

Fuel, to the tune of Le 7,392,000 was supplied to persons who were not employees of the Secretariat. In addition, the Secretariat did not maintain logbooks for its fleet of vehicles.

It was therefore recommended that the Cabinet Secretary should repay into the CRF with immediate effect the sum involved and inform the ASSL accordingly.

Official's Response

The Cabinet Secretary stated that the Secretariat had five (5) Government Vehicles which were "core fleet" for the Secretariat, but often and again the beneficiary officers used their private vehicles to perform official duties at any time the Government Vehicles were off the road for maintenance and other reasons. He added that, in this case, fuel was issued to private vehicles belonging to the officers to perform Government/Official duties. He noted that the implication therefore was that fuel was issued to vehicles which were not listed as vehicles belonging to the Secretariat. In addition, the office often and again provided fuel for the Sub-Accountant, two internal auditors, and one Procurement Officer who were officers of the Secretariat and weren't provided with Government Vehicles. Again, there were instances when the Secretary to the Cabinet and Head of the Civil Service required Civil Servants in other MDAs to perform special duties/assignments outside of their normal official functions. The Office sometimes issued fuel to such officers. All of those factors explain

why fuel was sometimes issued to persons who were not employees of the Secretariat. In conclusion, he said the Secretariat would appreciate special audit guidance in the handling of fuel in the given circumstance.

The Secretariat also noted the finding regarding the use of log books, which state that “the Secretariat did not maintain log books for its fleet of vehicles”. The Secretary noted that the Ministry of Transport and Aviation was yet to introduce a new regulation on the use of log books by all MDAs, and that the Secretariat anxiously awaited that. He mentioned that in the meantime, he would put measures in place to ensure that the fuel issued was utilized for its intended purpose.

The issue is still outstanding.

5.20. Civil Aviation Authority

5.20.1. Unsupported Payments

It was observed that 16 PVs, amounting to Le 40,185,000, were without adequate supporting documents. It was therefore recommended that the missing documents should be made available for audit verification and, in future, all PVs should be supported by the necessary documentation from requisition to receipt.

Official’s Response

The Acting Director General, in his reply, stated that the amount referred to (Le40,185,000) was actually expended for the intended purposes and that all supporting documents were attached to the PVs, according to Section 81 of the Financial Management Regulations, 2007(FMR). He mentioned that most of the photocopied supporting documents were attached to the Payment Voucher Book for audit inspection as no payment was processed at the Accountant General’s Department without the required supporting documents. Also, the Acting Director General stated that during the course of transferring from the Ministerial Building to Siaka Stevens Street Office, some of these documents were misplaced inadvertently but they had been traced and were available for verification.

We noted that out of the total expenditure of Le40,185,000 on office and general supplies, supporting documents amounting to Le17,800,000 were verified leaving an outstanding balance of Le22,385,000.

5.21. Human Resource Management Office

5.21.1. Unpresented Documents

In spite of repeated requests, the under mentioned accountable documents were not produced for audit inspection:

Expenditure	Documents not produced
Office and General	Reports from Retained Technician
Overseas training	Progress Reports, Training Policy
Payroll	Employment Policy
Fuel and Oil	Vehicle log books

5.21.2. Unsupported Payments

Payments for various transactions totalling Le 24,850,000 were without adequate supporting documents. It was therefore recommended that the Finance Officer should ensure that all the missing documents should be traced and produced for audit verification; otherwise, the value of the documents (Le 24,850,000) should be refunded into the CRF and evidence made available to the ASSL.

Official's Response

The Director General HRMO in his response stated that:

- *The supporting documents relating to Man Power Planning was sent to the Accountant General's Department during the retirement of imprest regarding the exercise. He mentioned that a copy of retirement was available for inspection.*
- *With regard to the distribution list for West Point Fridges, the ledger and a distribution list on which they were signed for and received were available for inspection.*
- *A copy of retirement of job inspection exercise was ready for verification.*
- *Payments were made to suppliers through the voucher system processed by the Accountant General's Department upon receipt of an invoice, and in that case it was Multinet for internet service and cheques were remitted directly to the Bank Account of the suppliers and no receipts were received thereafter.*

It was noted that receipts and other retirement details, were not available for Audit Verification.

5.22. Immigration Department

5.22.1. Review of Revenue Administration

5.22.2. Internal Audit Unit

The Internal Audit Unit was not effective.

5.22.3. Management of Fixed Assets

The purchase of Fixed Assets, totalling Le36,150,000 was not recorded in the relevant Register.

5.22.4. Review of Imprest Account Administration

It was observed that an Imprest Cash Book was not properly maintained to account for imprest accounts totalling Le 24,000,000.

5.22.5. Outstanding Electricity Bills

It was observed that accumulated electricity bills totalling Le 60,307,000 remained unpaid to National Power Authority.

5.22.6. Filing system

There was poor filing management at the Institution.

5.23. Meteorological Department

5.23.1. Unsupported Payments

There were internal control and documentation lapses within the Meteorological Department. Audit work carried out in this department revealed that documentation relating to transactions totalling

Le86.5M could not be produced for inspection. It was therefore recommended that the Finance Officer should ensure that all the missing documents per PV were produced for audit verification; otherwise the aforementioned amount must be paid into the Consolidated Fund within thirty days of the receipt of the report.

Official's Response

In his reply, the Director stated that some of the supporting documents which may not have been attached to the vouchers before the audit exercise had been traced and were subsequently attached to the relevant vouchers for audit inspection. He also said that he was sorry if for any reason some documents were not produced for inspection, stating that they had worked hard to make sure that the accountant traced all documents previously requested by the audit team in the midst of other documents. He later confirmed that those documents were now available for inspection.

It was however noted that transactions totalling Le35,500,000 were verified leaving an outstanding amount of Le51,000,000 without documentation.

5.24. National Fire Force

5.24.1. Headquarters

5.24.1.1. Unsupported payments

Payments amounting to Le 65,605,000 were made for various expenditure heads, for which adequate supporting documents such as Invoices, Receipts, RFQs, etc. were not attached to the PVs. It was recommended that the aforementioned documents should be made available for audit inspection within thirty days of the receipt of the management report.

5.24.1.2. Breach of contract to supply a new multipurpose fire engine

It was observed that Le 378,037,440 (30% advance payment) was paid on a contract worth \$320,000 to Design Construction and Commercial Enterprises, for the purpose of delivering a new multipurpose Fire Engine within four months of the signing of the contract or the payment of the deposit, whichever was later. However, although the advance payment had been made on the 1st January, 2010, as at the time of writing the audit report, the contractor had not delivered the fire engine. It was therefore recommended that within thirty days of the receipt of the report, the Chief Fire Officer should provide an adequate explanation as to why necessary action should not be taken against the contractor.

5.24.1.3. Payment of salaries and allowances

It was observed from the Accountant General's payroll vouchers for the months of June and July, 2010 that an officer who had resigned from the force effective 31st May, 2010, was still paid full salary and allowances. The amount was Le, 1,487,419. It was therefore recommended that the Chief Fire Officer should provide evidence to support his action, or refund the said amount into the Consolidated Fund at the Bank of Sierra Leone, within thirty days of the receipt of the report. A copy of the pay-in-slip from the Bank should be sent to the ASSL for verification

5.24.1.4 Funds transferred by the central government to various councils for fire prevention activities

The sum of Le 32,019,175 was transferred to the Freetown City Council (FCC) by the Central Government as a result of the devolution for fire prevention. The funds were to be used to undertake

joint fire prevention activities. However, it was observed that such activities were not undertaken during the period under review. Furthermore, it was observed, on a national scale that the sum of Le 103,627,643 was transferred to various councils throughout the country for similar activities, but as it was with the FCC, not one council carried out a fire prevention activity. It was recommended that the FCC and the National Fire Force should plan activities that would benefit their communities in fire prevention, and a copy of that plan must be sent to the ASSL for verification. It was further advised that a similar plan should be produced with the Local Councils.

5.24.2. Northern Region

5.24.2.1 Inventory register not properly maintained

A Motor Bike purchased by the Makeni City Council was not included in the Inventory. It was therefore recommended that the Regional commander should without delay update the inventory as well as the inclusion of other omitted items, for proper accountability and completeness.

5.24.2.1. Review of Stores Management

A Stores Ledger was not maintained to record the receipt and issue of rations and other store items for the period under review. It was therefore recommended that the Regional Commander should ensure that a stores ledger was maintained with immediate effect.

5.24.2.2. Unsupported Payments

Expenditures, totalling Le11,164,000 were without adequate supporting document. It was recommended that the Regional Commander, with the assistance of the management of the Councils, should provide the supporting documents or ensure that the amount involved was paid back to the CRF and paying-in-slips presented to the ASSL for verification.

5.24.3. Southern Region

5.24.3.1. Unsupported Payments

There were inadequate supporting documents in respect of devolved activities carried out by the NFF. A total of Le9,383,527 was without supporting documents. The relevant activity reports and supporting documents should be produced for inspection; otherwise, the amount involved should be recovered and paid into the CRF.

5.24.3.2. Review of Stores Management

Delivery Notes and Stores Issue records were not available in respect of the supply of rations/diets, firewood, stationery and drugs valued at Le65,000,500 In addition, some requisitions for the issue of diets and stationery were not approved by the Regional/Deputy Regional Commander.

5.24.3.3. General observations

Fire operatives were constrained with insufficient and ineffective fire engines to put out fire within the City and other locations in the region. The region had three fire engines-Carmichael WT1, Green Goddesses-PGW 132 and PGW 532. Only one (1) of them (Carmichael WT1) was functional at the time of writing this report.

It was noted with dismay that the NFF office in Bo had no electricity supply instead, kerosene lamps were hooked on wires and hung on the walls or roof of the office, which was a recipe for fire disaster.

5.25. National Registration Secretariat

5.25.1. Unauthorised opening of a Commercial Bank Account.

An account (Account Number: 001-116419-03-00-06) was opened at the Sierra Leone Commercial Bank, without authority from either the Minister of Finance and Economic Development, or the Accountant General.

5.25.2. Revenue not brought to account

Out of a total revenue of Le 967,437,500 collected in respect of 77,395 Identification Cards, only the sum of Le 953,982,000 was recorded in the Cash Book and paid to bank leaving an outstanding amount of Le 13,455,500 not accounted for by the Revenue Collector. On the 1st of December, 2010 revenue, totalling Le4,717,500 allegedly deposited into the Transit Account was not reflected in the Bank Statement.

5.25.3. Unsupported Payments

Payments, amounting to Le139,235,000 were without the necessary supporting documents.

5.25.4. Review of Stores Management

Store items, amounting to Le 36,259,700 were not recorded in a Stores Ledger. Differences were noted between three (3) Laptops purchased and those that were physically held by the department.

5.25.5. Exchanging public goods for inferior ones

The examination of both the Local Purchase Orders (LPOs) and Delivery Notes revealed that three DELL Laptops were purchased and delivered on 16 April, 2010 at a cost of Le 16,500,000. However during physical verification, it was observed that there were in fact three ACER laptops which experts considered to be inferior to the DELL purchased. It was therefore recommended that the Chief Registrar should produce the three DELL Laptops within three days of the receipt of the report; otherwise the attention of the Anti-Corruption Commission would be drawn to the matter.

5.25.6. Public funds used to maintain unofficial vehicles

A total of Le 30,788,000 was expended on the maintenance of motor vehicles even though the Secretariat was without an operational official vehicle and there was no policy on this for the period under review. It was recommended that the Chief Registrar should ensure that the sum expended should be refunded into the CRF, and evidence forwarded for audit verification within thirty days of the receipt of the report.

5.25.7. Payroll Administration

It was observed that names that appeared on the payroll were not current staff of the Secretariat. In addition, the name of a staff that passed away on 25 June 2010 was still on the Salary Voucher as at December, 2010. The total gross salary plus Employers' NASSIT Contributions from July to December amounted to Le 1,229,057.

5.26. Procurement Compliance Audit of Selected Ministries

5.26.1. Ministry of Health and Sanitation

The following were observed from the review of three contracts:

- Documentary evidence was not provided for the approval of the award of diet contract in FY2009 from the Ministry of Finance and Economic Development;

- A tender notice was not submitted for the supply of diet for gazette action;
- Receipt books or registers for sale of bidding documents were not provided to the audit team for review;
- The bid opening date did not correspond with the date stipulated in the bid documents and the newspaper advertisement, such that the bidding documents were opened earlier than the date on the advertisement;
- The contracts were signed on the date the contracts were awarded, in contravention of what was stipulated in the Public Procurement Act, that 14 days should elapse before contracts were signed;
- The issue on award of contracts raised by National Public Procurement Authority was not resolved as no evidence was provided to the audit team to confirm whether the issue was resolved;
- The Evaluation Committee's recommendations were not always implemented by the Procurement Committee; and
- Fees collected for bidding to the tune of Le 55,800,000.00 were collected. However, adequate explanation was not proffered on how the monies were utilized.

5.26.2. Ministry of Education, Youth and Sports

A Procurement plan submitted by the Ministry revealed that their planned procurement activities included supply of diet, supply of text books and the supply of school materials. The only form of documentary evidence provided by Ministry officials in relation to the planned activities was an Evaluation Report on the bidding process issued by the technical committee and the Bid Register which was not comprehensive.

No other form of documentary evidence was submitted to the audit team for review and as such auditors were unable to ascertain whether the due process for the allocation of contracts to bidders was adhered to.

5.26.3. Ministry of Agriculture, Forestry and Food Security

Supporting documents of contracts reviewed amounting to Le1,972,000, were not made available for audit inspection.

Contracts for the supply of fertilizer, done through International Competitive Bidding (ICB), was not included in the 2009 procurement plan.

The Ministry did not maintain an advertising and notification file which was required by the NPPA act, 2004 as the starting point in the procurement process. The stated dates for advertised bids for the Procurement of Mobile Workshop Van Truck Mounted and Workshop equipment did not agree with the minutes of the Public Bid opening Committee as bids were opened on 31st March, 2009 which resulted in only two competitive bidders being in attendance. Further investigations revealed that receipts were not issued for bidding documents sold to the tune of Le 30,064,000.

6. Audits of Public Enterprises and Commissions

Main Points

What we examined

These are audits of the annual financial statements of the public enterprises and commissions. The audit includes a formalised risk-based audit planning process; a review of internal control systems and procedures; physical examination of assets; substantive verification of samples of transactions to supporting documentation and such other tests as may be necessary in the circumstances. The focus is upon conducting an in-depth examination of the financial statements and to determine whether they present a true and fair view of the financial position and operations for the accounting period under review. In determining what is true and fair the criteria used are the set of accountancy principles and financial disclosure requirements used to create the financial statements. These are set down in the professional requirements and guidance of recognised accounting standard bodies and to some extent in the law. Generally, public enterprises and commission each have distinct enabling legislation with which they must comply. Our audit examination includes a review for compliance with such legislation.

Audit teams examined the underlying accounting records, ‘the books’, from which the financial statements are prepared as well as the system of internal control in place to ensure the accuracy and overall integrity of how business is conducted. The examination is done in accordance with well-codified and accepted professional auditing standards and ethical requirements recognised by the public and private sector auditing profession around the world. At the end of the examination the auditors issue a short-form report called an Opinion to shareholders in this case generally the Board of Directors set up by Government and also issue a Management Letter focusing on matters of importance in need of being addressed by management.

Why it’s important

There is a public financial management principle embodied in the phrase ‘whole-of-government’ which strongly supports that for financial reporting purposes, as well as transparency and accountability, the government accounting entity should include all bodies coming within its ambit of control.

Public Enterprises and Commissions are within the GoSL’s ambit of control. They are created for varying legitimate reasons by governments everywhere. Their functions tend to be discrete activities of a commercial, semi-commercial or social policy nature or a combination of all of these. By their legal nature they are more arms-length from government than MDAs and as such are more remote from the scrutiny of Parliament. It is this remoteness, combined with the fact that to varying degrees they both earn and expend public funds, which makes scrutiny by an independent external auditor on an annual basis all the more important.

In Sierra Leone, Public Enterprises and Commissions carry out a broad range of functions. They are in the critical areas of water and power supply, road construction, tertiary level education, narcotics control, banking, ferries and shipping, telecommunications and mineral resources to name but a few. As such they represent a significant amount of economic activity in Sierra Leone’s and have a major impact on infrastructure development as well.

For all of these reasons the audits of Public Enterprises and Commissions are of considerable importance.

What we found

In general and across virtually all Public Enterprises and Commissions the significant matters identified in the audit examinations fall into the following areas:

- Poor bank, cash and imprest account management practices;
- Missing supporting documentation for transactions;
- Inadequate use of or a failure to use Asset Registers;
- Failures to deduct withholding tax from supplier remittances; and
- Delays in remitting NASSIT deductions

There are also instances of poorly managed or largely non-existent document filing systems; inadequate personnel records; payroll calculation errors and less than well-functioning internal audit departments.

These observations are expanded upon in greater detail in the paragraphs to follow. Overall they suggest a need for greatly improved financial management with a clear focus on basic principles of internal control, e.g. appropriation segregation of duties and sound procedures for authorizing, recording and reporting transactions.

Detailed Findings and Recommendations

6.1. Non-Submission of Accounts

As at 31 March 2011, the following Public Enterprises and Commissions had not submitted their Accounts for the 2010 Financial Year.

Non-Submission of Accounts	
COMAHS	2009-2010
Fourah Bay College	2008-2010
Independent Media Commission	2010
IPAM	2010
Law Reform	2010
Mining and General Service	2007-2010
NASSIT	2010
National Commission for Democracy	2009 and 2010
National Commission for Social Action	2010
National Drug Control Commission	2009 and 2010
National Policy Advisory Committee	2004 to 2010
National Power Authority	2010
National Shipping Company	2009 and 2010
National Telecommunications Commission	2010
National Tourist Board	2006 and 2010
NCTVA	2010
Njala University	2010
Office of National Security	2010
Petroleum Resource Unit	2010
Sierra Leone Waste Management	2009 and 2010
Sierra Leone Road Transport Authority	2009 and 2010
Sierra Leone Postal Services	2009 and 2010
Sierra Leone University Court	2005 to 2010
Sierra Leone Water Company	2009 2010
Sierra Leone Maritime Association	2010
Sierratel	2008 to 2010
University Secretariat	2009 and 2010

6.2. National Social Security and Insurance Trust (2009)

6.2.1. Management of NASSIT Scheme

Based on the performance of the scheme over the past few years, it was obvious that investment management and general operating expenses were continuously above investment income and, at the same time, growing at a faster rate. The table below shows the trend over the years:

Description	2009 Le '000	2008 Le '000	2007 Le '000
Investment income	17,622,052	24,089,045	20,847,427
General and Administrative expenses	33,000,862	26,671,832	22,168,977
Excess of expenditure over Investment income	(15,378,810)	(2,582,787)	1,321,556

Management should seek more opportunities to increase investment income through well planned and secured investment decisions, whilst maintaining the operating expenses at a considerable low level.

6.2.2. Investment in Ferries Transport

A review of the cost incurred on the projects to date revealed that the Trust did not carry out an independent verification of amounts being spent on the project since disbursements to the company were based on the analysis prepared by the Sierra Ferries' Management on how the money initially made available was spent without, in most cases, third party supporting documents. Management should ensure that every disbursement is justified with appropriate third party supporting documents. There should also be an agreement between the Trust's and Sierra Ferries Limited which will clearly define the Trust rights and obligations with respect to the project expenditure.

6.2.3. Accounting for contributions received

It was observed that in the Trust's financial records, contributions received were accounted for on a cash rather than accrual basis. Although we are not unaware of NASSIT's Act which gives the grace of 15 days after the end of the month for contributors to make good their contributions for any particular month, the Trust is expected to account for the contributions yet to be received at the end of each reporting period as part of receivable contribution. Contributions for the month of December, 2009 were excluded from the audited financial statements. The Trust should ensure that contributions received were recorded in the time due rather than the time cash was actually collected. In particular, contributions for the month of December received by the Trust in January the following year should be included in any year-end financial statement.

6.2.4. Accounting for staff end of service benefits

The Trust employees are entitled to end of service benefit "define benefit scheme" in the event of voluntary retirement or death in the course of service. Accordingly, these liabilities were provided for in the Trust books. We however noted that actuarial assumptions were not used to value the resulting

obligation and expense arising under the “define benefit scheme”. We were also unable to quantify the impact this would have on the audited financial statements.

6.2.5. Fixed Assets Register

The Trust maintained a Fixed Assets Register for all its fixed assets but the register was not comprehensive enough as it appeared that the fixed assets were not timely updated with additions and disposals or reviewed by management. As a result Le1.3 billion was written off the books as that amount was included in the general ledger but not in the Fixed Assets Register.

6.2.6. Agreement and classification of USD 2 million Kimbima Hotel’s Limited Loan

A two-million United States Dollar loan was approved on behalf of Kimbima Hotel Limited, a subsidiary of the Trust, on 29th July 2009 by the Trust’s Board of Trustees. The loan, according to the agreement between the two parties i.e. NASSIT (the lender) and Kimbima Hotel Limited (the borrower), was meant for the refurbishment and rehabilitation of Kimbima Hotel buildings and infrastructure. As at the year end, an amount of Le3.8 billion (equivalent of USD1 million) had been drawn down by Kimbima’s Management from this loan. Certain salient aspects of the terms and conditions of the loan agreement were not clearly spelt out in the agreement including the repayment commencement date and amount to be repaid on each tranche. Since repayment terms had not been agreed upon, it was unclear whether the loan receivable was in United States Dollars or Sierra Leone Leones and, thus, no retranslation of foreign currency denominated assets was performed at year end. In addition, the loan was classified as advance in the book and, as such, no interest income was recognised on the loan.

6.2.7. Uncredited contributions

A review of bank reconciliation statements revealed that there was a considerable number of contributions deposited in the Trust’s bank accounts which had not been credited to the respective contributors’ accounts in the Trust’s records. The deposits/contributions were made directly to the banks by various contributing organisations and individuals. Based on their discussion with management, these items were yet to be credited to members’ accounts due to management’s inability to match these bank deposits with the relevant contributors’ identification (ID) numbers.

6.2.8. Investment in Seidya-NASSIT (SN) Alliance

The Trust currently has investments worth Le3billion in SN Alliance, a joint venture company between NASSIT and Seidya group. Based on SN Alliance’s performance from inception to date, there were strong indications that the Trust may not be able to fully recoup its capital investment. Thus, there was need for management to carry out an impairment assessment on this investment. The Trust has therefore not utilised this fund optimally.

6.2.9. Investment in Sierra Blocks Concrete Product limited (Le8.3 billions)

The Trust made two separate loans to Sierra Block Concrete Products Limited, its subsidiary, in 2005. On 4th July, 2006, the loans were rescheduled and consolidated into one. This revised loan was expected to be repaid over 16 quarters commencing 30th September, 2006 with an interest rate of inflation plus a margin of five hundred basis parts. The loan was expected to have been fully repaid by 30th June 2010. No repayment has been made so far. Specific demands should be made from Sierra Block Concrete Product Limited for repayment of the loan in accordance with the terms of the loan agreement between both companies.

6.2.10. Monitoring of Loans and Advances to Employees

The Trust did not monitor the loans to ensure that the loans balance per employee at any period in time did not exceed the balance of end of service benefit payable to the respective employee. There

were instances where outstanding loan balances for some employees exceeded their respective end of service benefits.

6.2.11. Construction of Pontoon at Government Wharf

The Trust contracted the Sierra Leone Ports Authority (SLPA) to construct a pontoon –Targrin Pontoon at Government wharf for the use of the Trust’s vessels. As a result, an advance payment amounting to Le310,135,350 was made available to SLPA. The pontoon was not constructed to the Trust’s specifications. Consequently, the Trust asked SPLA to fix the problem identified or refund the money already advanced to it. SPLA responded by demanding additional payment of Le28,808,300 on the basis that the construction had been completed.

6.2.12. Bank Reconciliation

The Trust keeps current accounts and domiciliary accounts with some commercial banks in the country. The bank accounts were not properly monitored as there were instances of long outstanding reconciling items in the bank reconciliation statements that were prepared at the end of the year with some reconciling items dating as far back as May, 2006. In certain instances, there were items with the same description, and items without descriptions and references.

6.2.13. Monitoring of contribution receivables

A review of contribution receivable compliance report as at 15th January, 2010 revealed that there was an estimated sum of Le18.6 billion which represented total indebtedness including contribution receivable, interest, penalty and outstanding validation of past services and pension contributions. Further analysis of this amount revealed that 64.5% was due from government institutions and parastatals, while the remaining balance was due from private sector establishments. While we may be aware of various challenges the Trust may face in an attempt to recover this money, it is advisable that the Trust intensified its efforts, channelled at aggressive collections of the outstanding receivables.

6.2.14. Classification of receipts and payments of pensions and gratuity on behalf of Government of Sierra Leone

Due to the experience and expertise of the Trust’s management team, the GoSL entered into an agreement with the Trust, for the latter to receive pension and gratuity funds from GoSL and subsequently pay or distribute these monies to the existing government pensioners and beneficiaries. These transactions were however treated as income and expenditure in the Trust financial records. Since the Trust merely acted as agent to GoSL in the payment to beneficiaries, the Trust only accounted for the commission received or receivable in the financial records, whilst a memorandum account was maintained for the receipts and payments of the funds.

6.2.15. Information Security Policies and Procedures

User awareness had been lacking in the Information Security Policies and Procedures. End-users were provided with updates on policy and security issues at regular intervals either via trainings, seminars, mails or via the intranet

6.2.16. Physical Access

A fire extinguisher was not in existence in the server room. Furthermore, an Access Register / Log had not been deployed and thus was not available for review. Activities within the server room were thus not logged and monitored. Consequently, unauthorised access gained to perform any unauthorised activities within the server room probably went un-noticed.

6.2.17. Configuration of Access rules

We noted that the creation of users on business applications and network operating system were via memos sent by the HR unit to the Systems and Technology Department indicating names of staff to be

created /deleted on the business applications and the network. The memo however did not indicate the user's access right /privileges on the specific application, the department/user group to which he/she belonged, and the provision for approval by the Unit head of the User and Systems and Technology Head.

6.2.18. Identification & Authentication

6.2.18.1. Password Security Settings

Password security parameters such as minimum password length, password life and alpha numeric settings were not included in the procedure/security standards though they had been partly enforced in practice. Additionally, the settings had not been set on the business applications (NAPOS, NASPER and SUN).

6.2.18.2 Generic User ID's

A review of user ID's on the business application revealed the existence of Generic user ID's i.e. ID's not directly identifiable with users.

6.2.18.2. Monitoring and Risk Assessment Activities

Very limited IT related issues were reported in the monthly reports; attributed to insufficient requisite skill and knowledge.

6.2.18.3. Problem and Incident Management

NASSIT has not developed problem management policies and procedures that would encompass amongst others:

- Communication of operational issues;
- Resolution of issues by Systems and Technology personnel;
- Logging of issues; and
- Escalation procedures.

The practice required that problems encountered by end users of the network and the main Trust applications should be communicated verbally or via phone calls to the Systems and Technology department. These problems were however not logged.

6.2.18.4. Disaster Recovery and Business Continuity

Other aspects of Disaster Recovery Plan (DRP) including Recovery Strategies, Disaster recovery Team as well as their contact details, Training and Awareness, Testing and Implementation Plans, amongst others were not included in the DRP as required by best practice. It was also observed that the plan was yet to be tested to ascertain its effective operation as and when implemented.

6.3. National Power Authority (2008 and 2009)

6.3.1. Review of journal vouchers

The accounting system was not configured with a facility to ensure that journal vouchers, when prepared, were appropriately reviewed by a more senior officer before entries were passed. In addition, there was no after posting review of journal entries to ensure that they were rightly booked by the account officers.

6.3.2. Technical and commercial losses

The Authority was able to generate or purchase an average of 18-19 megawatts of electricity daily. However, an average of 7-8 megawatts was only available for sale due to old transmission and distribution materials being used by the Authority and the activities of saboteurs.

6.3.3. Billing system

It was observed that the Authority used the utility 2000 billing system for generating bills for its prepaid customers on a monthly basis. The bills generated were based on the pre-defined parameters/graduating billing rates inbuilt in the system and information supplied from the meter-reading exercise carried out by the Authority's staff which were manually fed into the system. Our manual re-computation of the amounts generated by this billing system, revealed significant variances between the expected charge and actual charge in the customers' bills. It therefore appeared that the system only could not be relied on to generate accurate bills. This issue was also corroborated by the significant adjustments noted on the debtor schedule.

6.3.4. Fixed Assets Register

Fixed assets were not timely updated or reviewed by management. Some items were without description, several similar items had the same description or name in the Asset Register, and items with ambiguous descriptions. In addition, the Fixed Assets Register did not reconcile with the General Ledger as manual adjustments were made in order to reconcile the fixed assets ledger balance with the Assets Register.

Although management had made conscious efforts to segregate and write off some plant and machinery including related inventory considered obsolete (these write offs amounting to Le 8.8 billion and Le5.5 billion, respectively) the Authority should carry out a comprehensive physical verification of its fixed assets in order to determine the existence or otherwise of assets in the book and update the details in the Fixed Assets Register, accordingly.

6.3.5. Accounting for Gratuity and Pensions

Actuarial assumptions were not used to value the resulting obligation and expense arising under the "define benefit scheme".

6.3.6. Monitoring of Inventories

Some engineering spares relating to power generating equipment which had been long abandoned by the Authority were included in the inventory valuation sheet. The total value of these inventories as at year end prior to the write-off amounted to Le6.16 billion. It was observed that the Authority did not intend to put the power generating equipment into use in the foreseeable future. Although management had written off Le5.5 billion worth of these stocks from the books, management should carry out an additional exercise aimed at identifying all inventories, to make sure they were properly safeguarded and monitored, to prevent huge write offs of inventories in the future.

6.3.7. Booking Keeping and Accounting Practices

A review of the Authority's accounting records revealed the following:

- Prepaid revenue was recognized upfront by the Authority at the time of recharge by the customers without reference to customers' usage pattern of the units loaded.
- Cut-off procedures were not appropriately observed for billing customers as the last bill recorded as revenue in the year was read in the month of January, 2009, resulting in over-recognition of revenue for the year.

The accounting system used for book keeping and accounting purposes did not seem to be configured in such a way as to allow the authority to accurately reflect in its book revenue and trade receivables.

6.3.8. Monitoring of Trade Receivables

As at year end, the Authority had a trade receivable balance of Le55.3 billion. A review of schedule provided by management as support for this trade receivable balance revealed the following:

- The revenue included in the debtor schedule could not be reconciled with the revenue account in the general ledger.
- The total trade receivable balance in the schedule could not be reconciled with the general ledger.
- There were significant adjustments/corrections to the debtor figure mainly due to erroneous computation of customer billing, amounting to Le818 million
- Total cash receipts in the year as reported in the schedule was far below the total sales in the year. Only 62% of total sales in the year was received in the form of cash during the year.

6.3.9. Rent Receivable from Authority's Tenants

The Authority accommodated some tenants in its electricity house along Siaka Stevens Street for which, based on discussion with management, the Authority was expected to collect rent income from these tenants as consideration for the use of the building. There was no evidence of the collection of this rent in the Authority's Books.

6.3.10. Reconciliation of Bank Accounts

The Authority kept current, deposit and domiciliary accounts with some commercial banks in the country. The bank accounts were not properly monitored as there were instances of long outstanding reconciling items in the bank reconciliation statements that were prepared at year end with some reconciling items dating as far back as March, 2006. In certain instances, there were unidentified debts in the bank accounts, without evidence of appropriate follow-up by management.

6.3.11. Documents Filing System

Agreements or memorandum of understanding for the following grants and loans were not submitted for inspection.

- South Africa Grant
- Grant European Union
- Development Grant
- Equity OPEC
- Equity IDA Loan

Management should obtain copies of these agreements for reference sake. These agreements could assist the management to monitor its level of compliance with the loans or grants terms and conditions from time to time.

It was also observed that the Authority was unable to provide us with the analysis of the following accounts:

- Rechargeable jobs – Le300,174,111 credit balance
- Bo/Kenema Power Station (BKPS) – Le18,529,420 credit balance

- Rice Debtors – Le55,103,250 credit balance

Management should investigate and review these balances and raise necessary adjustments to clear any unexplained balances.

6.3.12. Timely update or Review of Insurance Agreements

Periodic reconciliations or reviews were not carried out between the Authority and the Insurance Companies to ensure that assets which may have been sold off or scrapped by the Authority were not included in the list of insured assets by the insurance companies.

6.3.13. Customer Complaints Register

There was no evidence that the customers' complaints were fully or partially addressed or not addressed. Management should ensure that an accurate and up to date customers' complaints log is maintained at all time.

6.3.14. Information Security Policies and Procedures

The National Power Authority has not yet developed and implemented comprehensive information security policies and procedures to ensure that access to its network and sensitive financial information was granted to authorized personnel only.

6.3.15. Physical Access

The authority has not yet developed formalised guidelines governing physical access to its IT resources. An access register / log had not been deployed and thus was not available for our review. Activities within the server room were thus not logged and monitored. Consequently, unauthorised access gained to perform subversive activities within the server room would go un-noticed.

6.3.16. Configuration of Access rules

There were no formalized policies or procedures governing the profiling of user profiles on the Microsoft Great Plains and Utility 2000 Applications and the Network. The process of granting users access to the application was also not via user request /authorization forms.

6.3.17. Access administration

The authority was yet to develop and implement formal policies and procedures guiding the creation, modification and management of user profiles on Great Plains and Utility 2000 Applications and the Network. No policy or practice existed regarding the management of user profiles of disengaged users, users who changed departments and users on vacation. Users on vacation were left active on the network and business applications.

6.3.18. Identification & Authentication

The authority had not instituted formalised processes, practices and standard naming conventions to be used regarding the creation and use of unique user ID's and passwords for access to Utility 2000 Application , Great Plains Application and the network. Additionally, guidelines on password settings did not exist.

A review of user ID's on the Utility 2000 and Great Plains Applications revealed that user ID's were not unique and standard user ID naming convention was not in practice. There was also the existence of a generic user IDs on Great Plains Application.

6.3.19. Super User profile

No formalised policy existed to provide guidelines on creating and managing super user profiles or users with administrative privileges on the network and business applications. It was also observed that a review of super user activities was not carried out on a periodic basis to ensure that these privileges

were not used to circumvent the laid down controls for anomalous use to the detriment of the Authority.

6.3.20. IT Organisation Structure

The IT department was not adequately staffed. As at the time of this report, the IT manager had just been brought on board. Additionally, we noted that training courses were not planned and organized by management for IT personnel, to keep them abreast of developments in the industry and better still, enhance their capabilities in supporting end users especially the users of Utility 2000, Great Plains and the network.

6.3.21. IT Strategy

It was observed that corporate strategies had not been documented in an IT Strategy document that would indicate the future plans the IT department had developed to aid the Authority as a whole in achieving its corporate objectives. Considering the emerging technologies in the energy industry, management should develop an IT strategy indicating how they intend to make use of IT to foster achievement of the Authority's corporate goals.

6.3.22. IT Steering Committee

An IT Steering Committee or its equivalent had not been constituted.

6.3.23. Monitoring and Risk Assessment Activities

Review and monitoring of IT operations were lacking as was evidenced from our review of the 'memos' generated by Internal Audit. No IT related issue in the 'memos'.

The Authority used Utility 2000 for post paid metering billing, Microsoft Great Plains as the financial application for generating financial reports and Apator/Guoji for prepaid metering. It was however noted that the applications capability in supporting the Authority's financial reporting objectives was in doubt.

6.3.24. Back up and Disaster Recovery Plan /Business Continuity Plan

The authority had no documented guidelines on backup and recovery procedures. Additionally, the authority was yet to develop and implement a formalised Disaster Recovery / Business Continuity Plan to ensure continuity of business operations in the event of a major disruption or disaster.

6.3.25. Virus Management

The authority has not yet developed an antivirus policy and procedure document as a guide to the management of viruses and other malicious codes.

6.3.26. Incident / Problem management procedures

It was observed that the Authority had not yet developed a problem management policy and procedures guidelines that would detail amongst others;

- Communication of operational issues;
- Resolution of issues by IT personnel;
- Logging of issues; and
- Escalation procedures.

Also, problems encountered by users on the applications (Utility 2000 and Microsoft Great Plains) were not logged by the Application Administrators. The authority did not have a help desk application deployed to effectively track, analyze and resolve operational problems relating to these applications and other IT related systems.

6.4. Bo Kenema Power Supply (2005)

6.4.1. Internal Audit Unit

Several lapses were observed in the operations of the Internal Audit Unit. There was no Charter or formal document stating the scope, responsibilities, purpose and rights of the Department. The Department had no annual work plan for the period under review. Working paper files (both Current and Permanent) were not maintained by the Department for the audited period. There was no Audit Committee to supervise and monitor the implementation of Internal Audit recommendations. It was therefore recommended that the Agency in collaboration with the Director of Internal Audit at the Ministry of Finance and Economic Development and the National Power Authority, should immediately design a Charter stating the scope, responsibilities, purpose and rights of the Department. In addition, the Internal Audit Department should prepare a work plan for each fiscal year and ensure that regular audit work was carried out and reported on. Furthermore, Working Paper files (both Current and Permanent), should be maintained for work done by the Department and the Agency must establish an Audit Committee charged with the responsibility of approving the Department's work plans, reviewing reports and monitoring the implementation of all audit recommendations.

Official's Response

The Chief Executive Officer (CEO) noted the audit recommendations and promised to put them into effect immediately.

The issues relating to Internal Audit are yet to be addressed.

6.4.2. Withholding Taxes Not Deducted and Paid to NRA

It was observed that 5% Withholding Taxes, totalling Le 18,523,728 in respect of goods and services procured, were not deducted and paid over to the NRA. It was recommended that the Chief Executive Officer should ensure that the Withholding taxes of Le 18,523,728 not deducted should be recovered immediately and paid over to the NRA. Evidence of payments should also be forwarded to the ASSL for verification.

Official Response

In his response the CEO stated that BKPS had been deducting withholding tax from the procurement of goods and services from the time they were knowledgeable about the regulation. He further said that he was making effort to recover the taxes but most of the suppliers were now out of business, dead, or could not be found.

Letters of recovery sent to the affected suppliers were provided for audit verification. However, more needs to be done to ensure that the amount in question is fully recovered.

6.4.3. Unsupported Payments

PVs, with amounts totalling Le 262,300,960 were not supported by the relevant documentary evidence such as receipts, delivery notes, certification, etc. The CEO was advised to ensure that all transactions, from inception to completion, should be supported by the relevant documentations and they must be numbered and cross referenced so that in cases of missing documents, such documents could be easily traced. The supporting documents in relation to the above expenditure should be forwarded to ASSL for verification; otherwise, the said sum of Le262, 300,960 must be refunded immediately.

Official's Response

The CEO explained that supporting documents were obtained for all transactions, but due to internal office movement and handling of files by various stakeholders, some were detached and therefore not available at the time of audit inspection. He promised that they would however be recovered and ready for perusal.

Although the Finance Department was able to produce some of the supporting documents in question, receipts to justify the authenticity of the above expenditures could still not be found for verification.

6.5. Sierra Leone Roads Authority (SLRA) (2009)

6.5.1. Filing/Record Management of Procurement Documents

Upon discussion held with senior management in the Procurement Unit, it was revealed that partial and incomplete records were held by several different departments and individuals. The Procurement Unit must ensure that complete documentation is maintained in respect of all procurement activities and for contracts and agreements entered into.

Official's Response

The Director General stated that he accepted our recommendation and all procurements of contracts, goods and services would be carried out by the Procurement Unit.

6.5.2. Procurement of Goods, Works and Services

The following was observed:

- Some contracts were awarded to contractors without certification from the Ministry of Works, Housing and Technical Maintenance. It was recommended that works contracts should only be awarded to contractors upon the presentation of an up-to-date registration certificate from the Ministry of Works, Housing and Technical Maintenance (MoWHTM).
- The initial advance payment and in some cases subsequent payments made to contractors were not duly entered in the Contract Register. The Contract Register should be regularly updated to reflect all payments made to contractors by the Authority.
- There were evidences of uncompleted works for which the validity period had expired for the insurance guarantees and performance bonds issued in favour to determine the contractor's validity for the 30% advance payments received. Insurance guarantees and performance bonds should be provided by contractors upon the signing of works contracts. The Authority should compel contractors to complete their works within the validity period stated in the insurance guarantees and performance bonds. Contractors should be compelled to renew all expired guarantees and bonds.
- There were instances where huge sums were spent on repairs and maintenance on vehicles that had exceeded their useful lives. Some of the instances are given below:

VR #	Dept.	Users	NBV	Repairs and Maintenance(LE)
ABF 540	OPR	S Bockarie	NIL	47,517,000
ABN 626	ADM	S M Koroma	NIL	58,999,000
ABN 625	AUD	V Coker	NIL	30,407,500

AAJ 541	ADM	Tata bus	NIL	51,730,000
ABR 851	AMD	S Jawara	NIL	24,321,000
ABF 537	ADM	Deputy Per Sec	NIL	22,736,000
Total			NIL	235,710,500

It was also observed that the Suppliers Register was not strictly followed as the under-mentioned services were procured from non-registered service providers:

Date	Name of Suppliers	PV No.	Amount (Le)
19/10/2009	Peter O Swarray	6339	20,841,197
19/10/2009	Peter O Swarray	81110	14,449,500
02/08/2009	Brown & Brown	4971	10,749,250
03/08/2009	Brown & Brown	36102	30,224,250
19/10/2009	Brown & Brown	8111	82,561,080

It was therefore recommended that the Procurement Unit should ensure the regular update of Suppliers Register and that only authorised suppliers should be used to procure services. Authorisation checks on invoices should ensure that only services that had been rendered were paid for and that the agreed prices were being paid. The Authority should ensure that there was control over the cost of repairs and maintenance of vehicles.

Issues raised during meetings	Present status as at 21st June 2010
Launching of a website for the Authority Though the website had been launched it did not have the necessary information it should have contained. Information that usually a website should have was lacking.	We are currently re-networking in order to enhance the capacity of the web.
Training for senior staff management staff in windows 2007.	Training will be conducted towards the end of the year

Internet Facility Headquarters Members observed that the internet facility was erratic. It was recommended that the bandwidth of the modem be increased by January, 2010. The bandwidth was yet to increased.	Networking to enhance the capacity of internet service was currently being undertaken.
Erection of billboards The meeting recommended that the erection of bill boards by the Authority should be put out on tender so that it could be outsourced. This would help the RIMPU to concentrate on its monitoring role.	Noted and action will soon be taken
Right-of-Way Signs The Chairman advised that a standard design be created for signs that could be erected on the Right-of-Way. Contractors should be trained by the Authority in terms of specifications of signs they would be required to procure for installation on the Right-of-Way.	RIMPU's attention had been drawn and had promised to take action as spelt out in the Board minutes
Lease Payment for Fuel Station on the Right-oWay Members advised that Proprietors of fuel station on the Right-of-Way should be made to pay for land leased to them and receipts issued accordingly.	The matter is being vigorously pursued.

Official's Response

In his response, the Director General stated that:

- *Management accepted the recommendations and that appropriate action would be taken. On the issue of Insurance Guarantee and Performance Bond, he stated that, those cases would be investigated and necessary management action taken.*
- *Management noted the high expenditure on vehicle repairs and had put in place measures to minimize the cost of repairs. Also, management was considering the disposal of aged vehicles with high running costs.*

6.5.3. Failure to advertise annually for new suppliers/ contractors

Discussions held with senior management of the Procurement Unit revealed that no open advertisement was done annually to invite applications from new suppliers or consultants to join the register. An open advertisement should be published annually in at least three (3) locally read newspapers to invite applications from new suppliers or consultants who may want to be included in the list of registered suppliers.

Official's Response

The Director General stated that action had already been taken and invitations were published in the local newspapers inviting applications from suppliers, contractors and consultants in January, 2010.

6.5.4. Monitoring and Evaluation Reports

No evidence of regular monthly progress, monitoring and evaluation reports was provided to the auditors by the SLRA Engineers for the various works projects undertaken by contractors on behalf of the Authority. Regular visits should be made by the various Engineers of the Authority to works sites

to assess the status of the work being undertaken; issues raised should be properly documented in the form of a report.

Official's Response

The Director General stated that management noted our recommendations and promised that prompt action would be taken.

6.5.5. Directors' Meetings

In reviewing the minutes of Directors Meetings, some resolutions were reached, but they have not been resolved:

It was recommended that all resolutions reached at those meetings should be properly addressed by the Units/Department to which they were related, and the necessary support given to them by management.

Official's Response

In his response, the Director General stated that management had taken note and would ensure that all resolutions reached at Board meetings were fully implemented.

6.5.6. Donor Funded Projects

In reviewing the projects report of the various donor projects, the following lapses were observed:

Songo-Moyamba- Moyamba Junction Road Rehabilitation	
<ul style="list-style-type: none"> ▪ There was a delay in completing the project which commenced on 1st February, 2007 and had taken 2 years. The pace of work was very slow due to administrative and financial problems within the contracting firm. ▪ 100% of the original contract time had passed with 32% of the work completed. An extension time of 4.25 months to the 5th June 2009 was granted to the contractor in December 2009. ▪ The Government of Sierra Leone counterpart funding which was required for the payment of compensation to property owners along the right-of –way and owners of farm lands with economic trees had not been spent to date. 	
Construction of the Hillside Bye Pass Road	
<ul style="list-style-type: none"> ▪ 37 property owners paid but not affected and Le 899,500,000 was yet to be refunded by the property owners. ▪ There was insufficient funding to complete the project. The project had an estimated budget shortfall of \$26,000,000 (twenty-six million US dollars). 	

Official's Response

The Director General in his response stated that:

- *Songo to Moyamba project was in the process of completion*
- *Compensation payments on Songo to Moyamba Road were indeed outstanding but would definitely be paid.*
- *For the Hill Side Road, some refund had been made and a meeting was held with the Minister relating to the issue raised in which a dead line had been given and that the Attorney General was handling the whole issue.*

- *The Hill Side Road contract was awarded to CSE, and work had commenced.*
- *There was a budget gap which caused the contract to be divided into two phases*

6.5.7. Internal Audit Unit

Some issues raised by the Internal Auditors were not resolved by management during the year under review:

Retention of Money

Retention money of 5% was not deducted where applicable on some of the contracts. Old balances held from previous years had not been paid to the contractors.

Transport Unit

- The frequency of vehicle maintenance and repairs carried out and their costs were of concern.
- The Authority prepared a pre-inspection report before taking any vehicle to the garage. However garage owners always ignored the inspection report. They produced invoices that were completely different from the pre inspection report, meaning that the cost of repairs was solely determined by the garage owners.
- There was no legal contract between SLRA as the Client and the garage owners as Contractors

Contract Register.

Regional offices had not maintained a contract register and one could not have details of contracts awarded within the period.

Contract Supervision.

Contracts were awarded by OMD and Feeder Road in the regions but the regional Engineers were not actively involved either in the implementation or supervision of some contracts. Some even claimed that works were carried out in their region without their knowledge.

Stock/Inventory

- In Bo, we observed that the storage facility was not conducive.
- Kenema did not have a storekeeper.

Official's Response

The Director General stated that management had noted the points raised. He promised that those points would be fully addressed and steps taken to avoid or minimise the occurrences of such issues in future.

6.5.8. Cash Advance

In reviewing the cash advance as at year end, it was observed that there was the total of Le14,400,000 that was not retired by staff. It was also observed that a staff member did not acquit his first cash advance given to him on the 10th March, 2009, and yet another cash advance was given to him on the 14th August 2009. It is recommended that Management should ensure that the policies with regards to cash advance are fully adhered to.

Official's Response

In his response, the Director General stated that the staff left without acquitting the Cash Advance but the amount has been recovered from his terminal benefit.

6.5.9. Registration and License Fees

During our review of the returns from SLRTA, we observed that there were delays in the transfer of Registration and Licenses Fees to the Authority as evident below.

Period	Date Received	Amount (LE)
Jan& Feb 2009	13 March 2009	1,145,030,000
March 2009	20 April 2009	765,640,000
July 2009	20 August	479,170,000
August 2009	23 September 2009	261,810,000
October 2009	17 November 2009	238,195,000
November 2009	22 December 2009	173,085,000

Monthly transfer of funds from SLRTA must be within the first week of the following month.

Official's Response

The Director General stated that the situation remained the same. The Authority had sought the intervention of NCP on this matter before adding that they intended to get the intervention of the Ministry of Works / Minister as the direct supervisor.

6.5.10. Reinstatement of Trenches/ Bill Board Erection

In reviewing the sundry income, we observed that some reinstatements of trenches and Billboards erection were recognized as income, but there was no evidence of clients accepting the invoice, or undertaking the said work. Evidences are as follows:

Date	Details	File No.	Amount SLL
03/01/09	Guma Valley W. Company	017	1,858,991
27/02/09	Executive Engineering	214	13,076,450
07/05/09	Guma Valley W. Company	548	12,234,358
18/06/09	NPA	903	2,731,025
26/06/09	Ramsey medical Lab.	947	6,029,714
22/07/09	Zenith Bank SL ltd.	1091	14,781,866

Date	Details	File No.	Amount SLL
30/10/09	Dmessage SL ltd.	1652	4,032,000
04/11/09	Medical Tech	1772	5,184,000
28/11/09	Sign Africa	1221	3,678,840
18/12/09	Lunar trading ltd.	1913	7,668,000

RIMPU should ensure that invoices sent to finance must have been accepted by clients and payment made for such invoices. The Finance department must also record invoices accepted by clients.

Official's Response

The Director General stated that a mechanism had been put in place to prevent such problems from reoccurring.

6.5.11. Revenue Recognition

Income from disposal of motor vehicle in 2008 of Le6,000,000 was only recognized in the 2009 Financial Statement. The accrual concept must be strictly followed in the preparation of financial statements.

Official's Response

The Director General in his response stated that that was an oversight.

6.5.12. Vehicle License

Some vehicles previously used by projects but later transferred to the Authority were not licensed under its name:

Vehicle No.	Vehicle type	Dept./Location/user	License(Registered owner)
AAP958	Toyota 4 runner	Admin, MSA Kargbo	CSE, 37Bai Bureh Rd F/T
AAH033	Toyota land cruiser	Finance, Mr.Kanneh	CSE, 37Bai Bureh Rd F/T
ACG567	Land Rover-Freelander	Finance, J Lebbie	Hydroarch,SRI Consulting Engineers, 4 wharf rd, Port Loko
ACG929	Nissan double cap van	Operations	Hydroarch,SRI Consulting Engineers, 4 Wharf Rd, Port Loko
ACG928	Nissan double cap van	Operations, Mr D Thollie	Hydroarch,SRI Consulting Engineers, 4 Wharf Rd, Port Loko
ACJ680	Toyota Hillux Jeep	RIMPU Mr JM Swary	Mohamed Thorley, 54 Siaka Stevens Street
ADG	Nissan patrol	Amin, ME Rogers	BAO Cape Road, Aberdeen

Vehicle No.	Vehicle type	Dept./Location/user	License(Registered owner)
	Jeep		
ABU 255	Land rover 110 Jeep	Admin Mr. V. Kabu	Techsut co. ltd 26 Percival St.

Official's Response

The Director General stated that the transfers were not complete, however he would ensure that action was taken to correct the situation.

6.5.13. Control over Inventory Issue

During our review of stock requisition and stock issue notes, we noted that some requisitions were not approved by the heads of the department requesting the items.

Date	Description	Requisition No.	Issue Note No.	Le
05/01/09	Stationery	5869	4533	240,000
06/07/09	Toilet materials	7818	4921	631.000
15/10/09	Synite dust	8181	23391	2,952,000
22/10/09	Stationery	4067	14685	807,500

All inventory requisition notes must be approved by the appropriate personnel before they are issued to department or sites.

Official's Response

In his response, the Director General stated that the Authority followed stores procedures in its operations. The issues raised may have resulted from over sight.

6.5.14. Staff Social Security Numbers

It was observed that there was a large number of employees in the payroll of the Authority without social security numbers and social identity cards. The Authority should ensure that staff must have security numbers and identity cards for him/her to be eligible to the scheme of social security.

Official's Response

In his response, the Director General explained that most of the affected staff members were either those that NASSIT could not cover because of the year when NASSIT was established, or newly recruited staff. He added that the Authority would however ensure that all staff issues relating to NASSIT were resolved.

6.5.15. Summary of matters previously raised.

The under-mentioned issue raised in my previous Audit Report had still not been addressed by the Authority up to the time of writing this report.

6.5.16. Issue on Non-Disclosure of Non-Current Assets (Financial Year 2009)

In carrying out a physical verification on non-current assets, we observed that a generator (250KVA) physically verified was not included in the assets register

Official's Response

The Asset was acquired by the World Bank and the supporting documents have not been made available to the Authority. As a result, we could therefore not include the KVA generator in the Assets Register.

6.5.17. Management of trade receivables (Financial Year 2007 & 2008)

The following lapses were observed with the management of trade receivables:

- The Authority did not maintain an aged debtors' analysis;
- The Authority did not maintain a database of companies/organisations to whom they had leased their right of way for the erection of bill boards;
- At the end of the year the Authority was unable to guarantee the amount owed by each of their debtors; and
- There was evidence of long outstanding debts.

Official's Response

- *The DG affirmed that a data base was in operation for effective monitoring of utility debtors and collection of all receivables.*
- *An aged debtor analysis was being maintained in each debtor enquiry report of receivables management.*

6.6. Sierra Leone Roads Authority (2010)

6.6.1. Unresolved issues for Board meetings

Certain resolutions agreed in Board meetings had still not been resolved effectively. It was recommended that resolutions reached at Board meetings must be effected or resolved within the given time frame.

Official's Response

The Director General responded, stating that action had been taken to resolve those issues.

6.6.2. Contractors and suppliers not included in the Procurement Register

The Authority awarded contracts to Construction Enterprises and suppliers in the period under review (2010); these contractors and suppliers were not indicated in the procurement register. It was recommended that all contracts must strictly follow the procurement procedures and the Contractors' and Suppliers' register must be updated regularly.

Official's Response

The Director General in his response stated that he did accept that among the seventeen sampled contractors/suppliers; only six (6) went through the registration process. He however promised that only registered business enterprises would be considered for the award of contracts in future.

6.6.3. Social Security Numbers

Five employees of the institution did not have NASSIT numbers. It was therefore recommended that the Personnel Department must ensure that all permanent staff were registered with NASSIT and must have Social Security numbers.

Official's Response

The Director General in his response stated that all permanent staff were provided with NASSIT Registration Forms which were completed and returned to NASSIT. He added that more than 95% of staff had NASSIT numbers and management would engage NASSIT to ensure that all staff were provided with NASSIT numbers.

6.6.4. Long outstanding receivables

It was observed that certain debtors with long outstanding debts were still included in the financial statement. There was also a difference of Le 16,300,576.00 between the amount as per listing and amount as per system. It was therefore recommended that management should notify those debtors with long outstanding obligations with the Authority to make a settlement in order to help the treatment of debtors in the financial statement, and balances in the individual ledgers should always be reconciled before preparing the schedule for the financial statement.

Official's Response

The Director General in his response pointed out that it was true that some long outstanding balances were included in the receivables amount. However, he said that many letters had been written to the debtors but to no avail. As an act of last resort, he said management would seek the approval of the Board of Directors to write off the balances.

6.6.5. Rents received

The following transactions were rents received with no receipts as supporting documents:

Date	Details	Amount (LE)
4/3/2010	Renewal of use of Right of Way	138,000,000
24/5/2010	Rent for Bill Boards	394,491,082
Grand Total		532,491,082

It was recommended that pre-numbered official receipts were to be provided for all transactions of the Authority.

Official's Response

For the renewal of land lease of Le 138,000,000 the Director stated that it was only posted to Rent Received in error and it should have been posted into Sundry Income Account. He however said that no payment had been received and therefore no receipt could be issued. On the issue of rent for land lease of Le 394,491,082, the Director stated that that was money received in respect of bill boards erected in their Right of Way and should have gone into sundry income account. The payment he said was effected by direct transfer into the Authority's bank accounts for which no receipt was issued on the bank's credit advice.

6.6.6. Compensation

There was no defining basis of evaluation done for compensation payment made for some projects especially in the Western Area.

Listed below are samples of compensation that did not have Conveyances attached and the floor area not indicated:

Date	Location	PV #	Amount (LE)
11/08/2010	Tokeh/ Lumley	16756	507,210,000

11/08/2010	Tokeh/ Lumley	16757	601,460,000
30/08/2010	Tokeh/ Lumley	16764	426,445,000
30/04/2010	Tokeh/ Lumley	14119	60,291,000
11/08/2010	Tokeh/ Lumley	16759	90,480,000

It was therefore recommended that the Authority should comply with the standard criteria that had already been set up.

Official's Response

The following were the responses of the Director General:

- *Evaluation of affected properties for compensation payments made for some projects countrywide, and in Western Area in particular, was always based on the methods used by Consultants who carried out the Property Acquisition Surveys for the various projects. These reports which stated clearly the methodologies used in evaluating the affected properties, were available in the Development Department for reference.*
- *All affected properties that were evaluated were of significant value and the property owners submitted conveyances and other title deeds. Where documentary evidence was not available the concerned local authorities such as village headmen or chairmen of trade unions were called upon to indemnify. These documents were not usually attached to the payment voucher and were instead kept in a separate file in the Development Department.*
- *The floor area of any affected property was the main determining factor for the valuation of the said property. It was therefore not true that some properties were valued without determining their floor area. There were comprehensive lists of affected properties that indicated these factors such as the floor area, unit cost per area, type of property, etc. for every payment request made. The list for payment that was usually attached to the payment voucher did not indicate these factors because of space.*
- *Management had always followed and would continue to follow those criteria that had been set up for the valuation of properties on the projects.*
- *The Development Department would always make sure that the standard criteria were strictly followed.*

6.6.7. Request for Quotation

Below are samples of contracts that were awarded which were divided into segments in order to use Request for Quotation (RFQ):

Contractor	Name of procurement	Month	Le
Polygon Construction Enterprise	Construction of Bai Bureh Road / Calaba Town	February	148,484,000
	Construction of Bai Bureh Road / Calaba Town	March	147,152,040
K- Links Construction & General Services	Construction of Bai Bureh Road / Calaba Town	March	147,522,250
Beeder Construction & General Services	Construction of Bai Bureh Road / Calaba Town	April	147,522,250
Techcon Engineering General Services	Construction of Bai Bureh Road / Calaba Town	April	147,522,250
	Construction of Bai Bureh Road / Calaba Town	April	147,522,250
Total			885,725,040

Contractor	Name of procurement	Month	Le
Scord Construction & General Services	Drainage Construction Regent Rd. / Wilberforce	April	99,356,300
Vonaquah Construction Company Ltd	Drainage Construction Regent Rd. / Wilberforce	April	99,356,300
	Spot improvement – Songo	June	145,708,000
	Spot improvement – Songo	June	179,798,000
	Spot improvement – Longo	June	147,708,000
Total			671,926,600

It was recommended that the Authority must adhere to the National Public Procurement Act of 2004.

Official's Response

The Director General in his response explained that the contracts for the construction of side drains on Bai Bureh Road and Regent Road, and the spot improvements on the Songo/Moyamba Road were awarded to multiple contractors for the following reasons:

- *To facilitate a timely completion of the project*
- *To put some contractors on trial.*

He further said that it was the policy of the Authority to develop the local construction industry which could only be achieved through the award of trial contracts in the early stages of the contractors' development before finally exposing them to full competition. These projects he added, had laid bare the contractors' performance for future projects.

6.7. Mechanical Services Unit (MSU) (2009)

6.7.1. Limitation of the work of the internal audit

Internal Audit work was limited to the head office, as there was no evidence of work being done at the regional offices, nor independent verification of the frequent reported break down of plants and their locations. Provision should be made for the internal audit to do periodic and on the spot checks throughout the year, so as to enhance control on plants.

Official's Response

In his response, the DG stated that management had acknowledged that fact and that the Internal Audit would pay frequent visits to the regions and provide reports accordingly.

6.7.2. Budgeted income on the hiring of plants

Year	Budgeted Income on hire of plants (Le '000)	Actual Income on hire of plant (Le '000)	Actual Income as a percentage of Budgeted Income
2007	6,542,522	4,496,299	69%
2008	8,769,574	3,586,269	41%

2009	7,409,259	3,532,753	48%
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It was observed that over the past year, Unit has not been able to meet the budgeted income on the hiring of plants.

A New plant and equipment should be procured so that the Unit can fairly compete with other organisations in the plant and equipment hiring business, which will result in more income being realised by the Unit. The budgeted income for the following years should be reviewed or increased in line with the effectiveness of the commercial department.

Official's Response

In his response, the DG stated that the insufficient funds from SLRA due to the decrease in fuel levy, the global economic trend and the age of the equipment characterized by frequent breakdowns have contributed to the Unit not meeting its budgeted amounts.

6.7.3. Operations of the Unit

The Accounting Manual (SLRA Manual) in use did not detail the operations of the Unit. The services of an accounting professional/ firm should be sought to develop a detailed accounting manual that would fit in with the general operations of the Unit.

Official's Response

In his response, the DG stated that management was considering putting in place an Accounting Manual that would suit the operating activities of the Unit.

6.7.4. Operating and Administrative Expenses

The MSU suffered liquidity problems and staff salaries, statutory commitments (Tax and NASSIT) and payables were not paid on time; as income generated from plants hired was not sufficient to meet operating and administrative expenses.

Details	Amount (LE)	As a percentage of income on hired plant
Income from plant hire	3,532,752,685	-
Operating expenses	2,911,859,055	82.4%
Administrative Expenses	2,147,291,446	60.8%
Total expenses	5,059,150,501	

A comprehensive business plan should be developed which takes into account the Unit's operations and the hiring of plants so as to improve the financial performance of the Unit.

Official's Response

In his response, the DG stated that the insufficient funds from SLRA due to the decrease in fuel levy, the global economic trend and the age of the equipment characterized by frequent breakdowns had contributed to the Unit not meeting its budgeted amounts.

6.7.5. Long Outstanding Debts

The following are debts that have been outstanding for more than two accounting periods:

Customer Name	Debt since	Amounts (LE)
Bao LTD	2002	228,315,723
DJ. Engineering	2002	237,793,687

An aged debtor analysis was not prepared by the Accounting Department of the Unit. Management should develop an appropriate debt management policy to be duly followed. A comprehensive age analysis should be produced for all debts.

Official's Response

In his response, the DG stated that management had ensured the preparation of the debtor analysis by the Accounting Unit.

6.7.6. Payments received from SLRA

It was observed that payment received in respect of invoices for plants hired by SLRA were usually made in bulk with no clear indication of the invoices honoured. It was recommended that Management should ensure that SLRA payment vouchers should give clear indication of invoices for which payments were made.

Official's Response

The DG stated that he had noted our observations and this had already been in communication to SLRA.

6.7.7. Control over the use of Computers

The computers of the Unit were infested with virus. Furthermore, some computers containing financial information were not protected by the use of passwords in the absence of a backup system. Management should ensure that each computer has an updated antivirus. Management should institute a backup system to store vital and confidential information. All the computers should be protected with passwords.

Official's Response

The DG stated that he had noted our observations and that corrective measure had been taken.

6.7.8. Staff Trainings

It was observed that the Unit had not been engaged in staff training over the past years. Staff trainings (either in-house or overseas) should be organised to ensure productivity and efficiency of the Unit.

Official's Response

The DG stated that management had lengthily deliberated on that issue and had agreed that, it was a must for training to be provided for staff members, to enhance the efficiency and productivity of the Unit

6.7.9. Goods Received Notes & Inspection Reports

Goods Received Notes were prepared and distributed to various departments concerned before Inspection Reports were prepared. Some of the instances are highlighted below:

GRN Date	Detail	GRN	Inspection Report Date
10/03/2009	Lubricant	5027	16/03/2009
27/08/2009	Lubricant	5613	09/09/2009
10/09/2009	Lubricant	5262	25/09/2009
10/01/2009	Diesel	5591	24/02/2009
09/09/2009	Diesel	5625	23/09/2009
06/06/2009	Diesel	4884	15/06/2009
30/07/2009	Tyre	5794	14/08/2009
24/04/2009	Tyre	6216	25/06/2009

The Unit must ensure that goods are thoroughly inspected before goods received notes are prepared.

Official's Response

The DG in his response maintained that control lapses raised on items were noted and corrective measures had already been taken.

6.7.10. Valuation of Stock

There was no proper valuation of stock during the audited period with regards to IAS 2. Stocks should be valued using the appropriate method. Obsolete and slow-moving stocks should be disposed of using the right procedure.

Official's Response

The DG stated that our observations concerning stock keeping records were noted and corrective measures had already been taken. In addition, he went on, management was still awaiting response from SLRA to dispose of the obsolete and slow moving stock.

6.7.11. Formal Policy for Maintenance of Fixed Assets

The Unit did not have a formal policy for the maintenance of its plants, vehicles and equipment. The operation department did not maintain a comprehensive register of plants and equipment. A maintenance policy should be developed and strictly adhered to. A comprehensive register should be maintained with adequate control over plant and equipment.

Official's Response

The DG stated that the Unit strictly adhered to the manufacturer's manual as a policy in terms of maintenance and repairs of plant and vehicles.

6.8. Mechanical Services Unit (MSU) (2010)

6.8.1. Management Meetings

It was observed that a Management Meeting was held once for the period under review. Management must ensure that meetings are held periodically. Also, members should have the opportunity to add items on the agenda of those meetings.

Official's Response

The DG maintained that the concerns raised on that issue had been seriously noted by Management and corrective measures had already been taken.

6.8.2. Ineffectiveness of the Internal Audit

The Internal Audit section lacked the required technical knowledge to adequately enforce controls with regards to technical issues. A technical auditor should be recruited by the Unit.

Official's Response

In his response, the DG stated that the former Internal Auditor had left in September 2010 and there was no Internal Auditor. Corrective measures had already been taken with the provision of a new Internal Auditor.

6.8.3. Debts

Debts owed by the Unit were not paid on time as some payables were long outstanding. Management should make sure that the debts of the Unit are paid and on time.

Official's Response

Management had agreed not to hire equipment on credit especially to external hirers to eliminate the debt risk of the Unit.

6.8.4. Control Environment

Source documents used by the Unit were not in sequential and chronological order. It was also observed that the Commercial Department did not have a track of Invoices Books issued to and used by the regional offices.

Official's Response

Management noted our recommendations and mentioned that corrective measures had already been taken.

6.8.5. Monthly Reports

Though monthly reports were prepared and submitted, it was observed that no evaluation was done on the reports by Management.

Official's Response

The DG stated that measures had been put in place for the evaluation of the monthly reports.

6.8.6. The Accounting and Financial Records

The accounting and financial records of the unit were partly manually maintained with the accounts preparation being done on Microsoft excel. A computerised accounting system should be instituted.

Official's Response

It was stated by the DG that management as a matter of urgency had taken steps to address that issue. A feasibility study with regards to the Accounting Package was ongoing, and quotations had been obtained from reputable organizations for the installation of the programme.

6.8.7. Payment Fees on Long Outstanding Debts

It was observed that late payment fees were not charged on long outstanding debts. It was recommended that the Unit must ensure that commercial policies were strictly followed.

Official's Response

It was stated by the DG that management had already put corrective measures in place with regards the 3% charge per month for all late payments.

6.8.8. Staff Attendance List

A daily or weekly review was not done on the Staff Attendance List. Staff constantly signed in at 7:30am with no variances on the time. It was also clear that some staff members did not sign in, nor sign out. It is the duty of the personnel department to review the staff attendance list on a daily or weekly basis.

Official's Response

In his response, the DG stated that to ascertain the actual hours worked by staff, a mechanism for the review of staff attendance had been put in place.

6.8.9. Life Assurance

Life Assurance Provision was not made by the Unit for its entire staff. Management should provide insurance coverage for its staff as a means of motivation and in line with best practice.

Official's Response

The DG stated that the issue raised on the above was noted and that the Unit had a Group Insurance Policy which covered all workers.

6.8.10. Filing System

The MSU filing system was poor. The documents were not filed sequentially or chronologically. It was advised that Management should make sure that the documents of the Unit were properly filed.

Official's Response

The DG stated that the issues raised on the above were noted and promised that corrective measures would be taken.

6.9. Sierra Leone Road Transport Authority (2005 – 2009)

6.9.1. Tangible Fixed Assets

Some of the tangible fixed assets of the corporation were re-valued several years ago in contravention of IAS 16 and the report the revaluation was not available for our inspection. It was recommended that the assets should be revalued by an independent professional valuer and the necessary adjustments be made in the accounts of the corporation.

Official's Response

The Director in his response stated that the revaluation of other Tangible Fixed Assets was in the mind of management and would be done when funds were available.

6.9.2. Register of Tangible Fixed Assets

It was observed that the corporation did not maintain a Fixed Assets Register. It was therefore recommended that immediate steps should be taken to write up a Fixed Assets Register preferably in an electronic form as it would be much easier to update the register. In addition, a full scale verification exercise should be carried out in order to identify assets that are in good condition. Furthermore, cost and accumulated depreciation charges should be allocated to the assets from information in the finance department and those that cannot be allocated with cost and depreciation should be valued by an independent valuer and a detailed register prepared. The register should also disclose all of the assets information. Alternatively, the corporation should ensure that a fixed assets module is part of a computerized accounting package, if computerization of the accounting function is being considered by the corporation.

Official's Response

The Director in his reply stated that during the rebel war, the old Administrative Building was totally burnt down where documents including the fixed Assets Register were kept. He however mentioned that Management would put mechanism in place so that one would be developed by the Internal Audit Department.

6.9.3. Capitalization Level and Memorandum Register

The Corporation did not have a formal policy with regard to the capitalization of its tangible fixed assets. It was recommended that capitalization levels should be introduced and very low amounts written off in the accounting period in which they were incurred.

Official's Response

In his reply the Director mentioned that the point had been noted, and that a threshold for capitalization would be set up by management.

6.9.4. Identification Tag

A significant amount of the corporation's tangible fixed assets were without identification tags to facilitate easy verification and proper monitoring of these assets.

It was recommended that all property, plants and equipment belonging to the corporation should carry an identification tags which must be in agreement with the information indicated the register of tangible fixed assets.

Official's Response

The Director stated the he would ensure that such exercises were done by the Internal Audit Department.

6.9.5. Physical Verification of Tangible Fixed Assets

We observed that the tangible fixed assets of the corporation are not physically verified on a regular basis to enable the corporation determine their existence and condition.

It was recommended that the corporation's tangible fixed assets should be verified at least on a yearly basis in order to check their existence and condition.

In his reply the Director stated that management would ensure that such exercises were done with sufficient regularity by the Internal Audit Department.

6.9.6. Conveyances and other Documentation to support Freehold and Leasehold Properties

The corporation did not have the possession of conveyances and other documentations to substantiate its title to freehold and leasehold properties indicated in the financial statements. It was recommended that those Conveyances and other documents supporting the corporation's title to free and leasehold properties indicated should be made available for verification.

Official's Response

The Director promised that he would ensure that the service of the Surveyor was sought when funds were available.

6.9.7. Fixed Assets without proper Documentation

Some fixed assets were without proper documentation. It was therefore recommended that required documentations to support the transactions should be made available for verification.

6.9.8. No information to support spares part purchase

Purchase of spare parts (accessories, diesel oil, engine oil, lubricants, tyres and tubes) were not well documented. The auditors were unable to verify the accuracy of the inventories because of the way in which the stores transactions were recorded in respect of spares and accessories. The cost units of the inventories were not available. In addition there were no procedures in place to enable management of

the corporation identify obsolete inventory. A significant number of obsolete Benz 309D were still part of the corporation's stock.

It was recommended that the financial management system of the Corporation should be reviewed and restructured and full provision of stock obsolescence should be made in the books of the corporation. Moreover, those items should be disposed of or put into alternative use and proper structural financial procedures should be put in place to identify obsolete stock items.

Official's Response

The Director noted the audit recommendations and agreed to take corrective measures.

6.9.9. Missing Stores Records

The under-mentioned store records were not available for our inspection:

- Store issue vouchers for bus tickets
- Tickets weigh bills
- Bus ticket register
- Valuation sheet for bus tickets

It was recommended that the above-mentioned documentations should be made available for verification. Alternatively, officers in charge of the activities / documentations should account fully for those documents.

6.9.10. Loans to Directors

Even though the Road Transport Corporation Act, 1964 provides that the corporation should pay to the members such remuneration, fees and allowances for expenses as may be determined by the Minister of Communication after consultation with and prior approval of the Minister of Finance, it was noted that loans amounting to Le 2,500,000 were granted to two directors and were unpaid as at 31st December, 2009. It was recommended that the officers should repay the above mentioned amount with interest.

Official's Response:

The Director in his response stated that the loans were given by the past management some years ago. He however mentioned that management would contact the respective individuals so that the loans would be fully recovered.

6.9.11. Credit Policy

There were no formal policies governing bus hire services. Therefore the recoverability of the debts mentioned below was doubtful because management control pertaining to bus hire services was weak.

Name of Debtor	Le '000
Government of Sierra Leone	54,881
Vice President's Office	26,216
President's Office	10,799
Secretary to the President's Office	4,400
Hon. Kemoh Sesay	2,946
Permanent Secretary – Ministry of Tourism	16,534
State House	16,800
Deputy Minister of Transport	1,250
Mrs.Aminta Dumbuya	1,742
Mr.Serry Kamal	1,795
Mr.Abdulai Bai Kanu	2,400
Ministry of Transport	2,460
Ministry of Health	4,500
Ministry of Finance and Economic Development	1,200
Ministry of Agriculture, Forestry and Food Security	1,575
Mrs.Sia Koroma	4,388
TOTAL	153,886

It was therefore recommended that the corporation should take immediate steps to formulate policies governing bus hire services and monthly bus hire debtors should be prepared and circulated to management for their review. Furthermore, the above mentioned debts should be pursued.

Official's Response

The Director stated that reminder letters would be sent to the respective debtors once again.

6.9.12. Cash Counts

Cash counts were not carried out at the end of the financial periods under review to check the accuracy of cash balances indicated in the books and financial statements of the corporation. It was recommended that cash counts should be carried out at every location at the end of the financial year and the exercise must be witnessed by senior and independent officers of the corporation who should verify the accuracy of the amount indicated in the cash count sheets.

Official's Response

In his reply, the Director stated that management would cause a cash count to be done at various locations all over the country at the end of the year by the Internal Audit department.

6.9.13. Going Concern of the Corporation

The financial statements of the corporation for the years ended 31st December, 2005 to 2009 were prepared on the basis that the corporation would continue its operation for the foreseeable future, the validity of which depended upon future funding being available to the corporation either from its members or from its operating activities. It was observed that the net assets of the corporation were above four billion, nine hundred million Leones (Le 4.9b) in the negative.

It was therefore advised that the corporation should be recapitalized or privatised.

Official's Response

The Director noted the findings and mentioned that the issue would be discussed at Management and Board level.

6.9.14. Corporation Tax

It was noted Le 442,183,000 and Le 337,853,000 were provided for corporation tax for the accounting period ending 31 December, 2007 and 2008 respectively, but the computation as to how these amounts were arrived at was not available for inspection. In addition, corporation tax totalling Le 813,000,000 has been outstanding for several years. It was therefore recommended that the corporation should make arrangements with authorities of the National Revenue Authority, with a view of settling the amounts due.

Official's Response

The Director in his reply stated that corporation taxes would in future be computed on yearly profit basis and all calculations shown.

6.9.15. Procurement Policy

There was no formal procurement policy and system in place to capture liabilities of the corporation as and when they incurred. It was therefore recommended that a formal procurement policy and accounting system should be put in place which would be capable of capturing liabilities of the corporation as and when they incurred. It was also recommended that all relevant documentation supporting credit transactions should be made available for verification.

Official's Response

The Director stated that there was now a procurement department managed by a Procurement Manager.

6.9.16. Creditors Account without Documentations

Information/documentations of the under mentioned general ledger accounts were not made available during the course of our audit examination:

- Accrued Staff Wages
- Accrued Terminal Benefits
- Staff Provident Fund
- Trade Creditors
- Accrued Rate & Utilities
- Sierra Leone Port Authority Loan
- SIERRATEL Loan
- Sierra Leone Commercial Bank Loan
- Other Accrued Charges
- Loan – 10 DBO Buses
- Loan – 25 TATA Buses
- Loan – 5 DAF Buses
- Loan – 17 Iran buses

It was recommended that the accounts should be investigated by management.

Official's Response

The Director in his reply said that most of the creditors mentioned originated from past managements and almost all have been fully paid.

Capital & Financial Management Systems**6.9.17. Loan Stock & Other Reserves**

Information/documentations of the under mentioned general ledger accounts were not made available during the course of our audit examination:

- Loan Stock
- KFW Grant
- Government of Sierra Leone Grant
- Other Reserve

It was recommended that the accounts should be investigated by management.

Official's Response

The Director replied that reserves had been in the books of Sierra Leone Road Transport Corporation for several years and documentation cannot be traced.

6.9.18. Rental Agreement with Tenants

Most of the tenancy agreements for individuals and institutions occupying properties belonging to the Corporation were not available for verification. It was recommended that agreements between the Corporation, tenants, sales agents and advertising companies should be formalized.

6.9.19. Income – Bus Tickets & Luggage

A review of the operations of bus ticketing and luggage service revealed that cash payments were made out of the daily takings to meet operational expenses. In addition, information indicated in way bills

were not checked against any other document to prove their accuracy. Furthermore, there was no formal control system in place to ensure that all takings were paid over to the Corporation. It was recommended that management's control relating to bus and luggage revenue should be reviewed and enhanced and payments out of daily takings should be avoided as much as possible.

Official's Response

The Director stated in his reply that the current practice was that the payment was made out of daily takings, and that information in the way bill was checked against the receipt and bank statements.

6.9.20. Training School & Technical Department

There were no structural financial policies and procedures to govern the administration and activities of the Corporation's Training School and Technical Department. It was recommended that management controls relating to the Training School and Technical Department activities should be reviewed and enhanced.

Official's Response

The Director in his response mentioned that the Training School and Technical Department formed part of the overall Financial Management system of the Corporation, whereby all income received from those departments was properly accounted for.

6.9.21. Revenue Accounts without Documentation

Information/documentations of the under mentioned general ledger accounts were not made available during the course of our audit examination:

- Interest & Dividend
- Recovered Cash
- Accident Claims
- Surcharges
- Retired Imprest
- Fuel/Spares Refund
- Courier Services
- IDB
- Staff Welfare Cards

It was recommended that those accounts should be investigated by management and all documentations made available for verification.

6.9.22. Expenditure

Transactions to the tune of Le 1,023,006,738 were without supporting documents. It was therefore recommended that the transactions should be thoroughly investigated.

6.10. Sierra Leone Ports Authority (2009)

6.10.1. Lack of Fixed Assets Register

A Fixed Asset Register was not maintained, however, there was a fixed asset listing which did not include relevant details such as date of acquisition, location of the asset, identification codes, depreciation rate and accumulated depreciation. A comprehensive Fixed Assets Register should be maintained to contain all relevant information such as cost, date of acquisition, and unique identification codes among others.

Official's Response

The General Manager stated that management had contracted PCL International to upgrade its Microsoft Dynamics GP Financial Management System. This upgrade included a Fixed Asset Register which had been installed to take into consideration all relevant information such as cost, date of acquisition, location, etc.

It was however noted that these issues were yet to be resolved by the Authority.

6.10.2. Adequate insurance coverage

The Authority did not maintain insurance coverage for its properties, plant and equipment (including office furniture, fittings, computer equipment, and office buildings) during the period under review. Only motor vehicles were insured. The net book value of property, plant and equipment at 31 December 2009 was Le 216 billion while the sum insured was Le 25 billion. It was recommended Management must ensure that the Authority's properties, plants and equipment were adequately insured to mitigate any eventual risk of financial losses occurring.

Official's Response

The General Manager stated that management noted the observation on the inadequate insurance coverage on property, plant and equipment and promised to ensure that adequate cover was made during the financial year ending 31 December 2011.

It was however noted that the issues were yet to be resolved by the Authority.

6.10.3. Review of debtors' lists

Management was not reviewing the Authority's debtors profile regularly. This exercise would enable management identify debtors that were not meeting the repayment terms on a timely basis and take corrective informed decisions on such debts.

Official's Response

The GM stated that monthly debtors' lists were prepared regularly. Revision of that list had now become the responsibility of the Chief Accountant/Financial Controller to ensure that appropriate action was taken on defaulters.

It was however noted that the issue was yet to be resolved by the Authority.

6.10.4. Petty Cash Disbursement

Cash disbursed to the employees for business purpose were not subsequently retired as no liability was created in the recipient's account. All the petty cash vouchers reviewed did not have supporting documents such as receipts and or invoices attached to them. In addition, there were no limits on petty cash disbursements as some transactions that should have been settled by cheque payments were made by cash, thus increasing the risk of fraud.

Official's Response

The GM stated that since January, 2010 management had limited petty cash transactions to its barest minimum, that is (Le2.4m) two million, four hundred thousand Leones per month for transaction such as transport fares, top-up cards, soup money etc. All other transactions went through the cheque payment system.

It was however noted that these issues were yet to be resolved by the Authority.

6.10.5. Review and approval of payroll

There was no evidence that the payroll was reviewed and approved by a senior officer before payments were made to staff. Management should ensure that appropriate review and approval of payroll was done on a monthly basis in order to prevent unauthorized payments of salaries to staff.

Official's Response

The GM stated that structures were now in place where by payroll were regularly reviewed and approved before payment was effected. That duty had been delegated to the Personnel Department with effect from 1 July, 2010.

It was however noted that the issue was yet to be resolved by the Authority.

6.10.6. Internal audit work plan

In the review of internal audit reports, the following were observed:

- There was no approved internal audit work plan by the board of directors.
- The line of reporting was not independent of management as the unit reported directly to the General Manager.
- Management did not act on internal audit findings and recommendations.
- There was no evidence of follow up on the internal audit findings and recommendations

It was therefore recommended that a review of the role and functions of the internal audit for the unit should be done, so that it could effectively carry out its function as a management control tool.

Official's Response

The GM stated that management would ensure that 2011 internal audit work plan was approved by the Board of Directors and that modalities were now in place whereby the Head Internal Audit reported directly to the Board and copied the General Manager. In addition, he mentioned that structures were now in place to ensure that follow-up actions were taken.

It was however noted that the issues were yet to be resolved by the Authority.

6.10.7. Non-compliance with International Accounting Standards (IAS 19)

The Authority did not use actuarial assumptions in determining the end of service benefit provision as required by International Financial Reporting Standards (IAS 19). Accordingly, the auditors were unable to verify the completeness and accuracy of the employee benefit liability at 31 December, 2009. It was therefore that Management should ensure that provisions for end of service benefits were in compliance with the accounting standards.

Official's Response

The GM stated that management was awaiting quotation from two actuarial valuers for management to be able to comply.

It was however noted that the issues were yet to be resolved by the Authority.

6.11. Sierra Leone Ports Authority (2010)

6.11.1. Differences in depreciation computation

Differences were noted between our computation and the Bank's depreciation computation. These differences could lead to understatement of depreciation, thus, the net book value of fixed assets could have been misstated. Effort should however be made to ensure that accounting estimates and computations were prepared and reviewed by different personnel for early detection of errors for correction.

We also noted the following:

- Addition made to fixed asset not part of the capital expenditure budget
- The construction of a canopy/canteen at Kissy Ferry Terminal amounting to Le 20,000,000 was not included in the approved capital expenditure budget for the year.

Management should ensure that all projects to be undertaken during the year must be included in the approved capital budget.

6.11.2. Bank Reconciliation Statements

Monthly bank reconciliation statements were not reviewed and approved by management in respect of

five bank accounts during the period. It was also observed that leave allowance of Le 1, 275,826 and end of service benefit of Le430,356, in favour of a staff member, in the Sierra Leone Commercial Bank's September 2010 reconciliation statement, still remained a reconciling item as at date of our review (July 2011). Thus, it appeared that the monthly bank reconciliation was not properly prepared, reviewed and approved by management. There was no proper segregation of duties within the cash management system. The cashiers responsible for the receipt of cash were also involved on a monthly basis in the preparation of the bank reconciliation statements.

6.11.3. Lack of updated tenancy list on rent

Details of the Authority's leased properties showing the tenants, the rental periods and lease amount had not been updated since the 5th of August, 2009. It was recommended that Management should ensure that the list of the Authority's leased properties must be reviewed and updated with the correct rental periods and amounts.

6.11.4. Spare Parts for Obsolete Items

The Authority made a 5% general provision for obsolescence on stock, which appeared to be reasonable based on our review. However, we noticed unmoved/slow moving items amounting to Le284.8 million. A significant portion of stores listing was without unit cost and value and were included in the inventory balance as at 31 December 2010. It was recommended that Management should carry out regular reviews of the stock items to identify obsolete and unmoved items and ensure that adequate provision were made for such items at year end.

6.11.5. Loan agreement and interest accrued

We were not provided with the loan agreement on loan by International Development Association (IDA) to the Government of Sierra Leone under Credit Number 2895 SL for the replacement of Shipway Cradle and Port Rehabilitation. Thus, we were unable to review the Authority's compliance with the terms and conditions stated in the loan agreement. Additionally we could not ascertain the accuracy of the loan amounting to Le 28.4 billion and management had over the years not been accruing loan. Furthermore, we didn't receive confirmation reply from IDA.

6.11.6. Non- deduction of advances given to dock worker cooperation

Management had not been made deductions for advances given to Dock Workers Cooperation contrary to the loan agreement. Management should be monitoring the advances given to the dock workers cooperation so as to avoid the advances becoming bad debts. Generally, the control and monitoring of advances at the Authority needs to be enhanced and defaulters followed up for repayment.

6.11.7. Contingent liabilities – Legal Letter

We circularized the Authority's legal solicitor to ascertain the litigations for and against the Authority amounting to Le 88 million and as at date of finalizing the financial statements we did not receive the confirmation reply from the legal solicitor. It was recommended that management must ensure that their legal solicitor should respond/confirm the Authority's contingent liabilities so as to enable us ascertain their contingent liabilities as at year end.

6.11.8. Receivables

During the review we noted receivables of Le 11.6 billion. We then circularized the Authority's debtors amounting to Le 70 billion as at year end. We have not received confirmation from third parties for debtors, so we could not conclude on the existence and accuracy of those receivables. Management should ensure that their debtors respond/confirm the Authority's debtors so as to enable us ascertain their debtors balance as at year end.

6.11.9. Bank confirmations and creditors balance

During our review we circularized the Authority's banks and creditors amounting to Le 12.3 billion and Le 649.2 million, respectively, as at year end. We have not received confirmation from the banks and creditors. Thus, we could not conclude on the existence and accuracy of those balances. Management should ensure that their banks and creditors respond/confirm the Authority's balances so as to enable us ascertain their balance as at year end.

6.11.10. Payroll Records

In the course of reviewing staff salaries amounting to Le 17.5 billion, we were not provided with accurate payroll records. It was recommended that management should ensure that accurate records and appropriate review and approval of payroll were done on a monthly basis in order to prevent the unauthorized payments of salaries to staff.

6.11.11. Compliance with procurement procedures

During the review of contracts awarded during the year, we were not provided with the contract documents used to award contracts to some suppliers and as such we could not ascertain whether the contracts awarded were in compliance with the Public Procurement Act, 2004 - Part IV which states that public procurement shall be undertaken by means of advertised open bid proceedings, to which equal access shall be provided to all eligible and qualified bidders without discrimination. Additionally the Act also states that where an entity uses a method of procurement other than advertised open bidding, it should note in the record of the procurement proceedings the grounds for the choice of the procurement method. Going forward management must ensure that all contracts above Le 65,000,000 must follow the required process of complying with the Public Procurement Act 2004 - Part IV and should also go through the Evaluation Committee and Procurement Committee.

6.11.12. Access to Programs and Data

Information Security Policies and Procedures document did not include the following:

- Systems Development and Maintenance
- Business Continuity Management
- Out sourcing Policy
- Antivirus policy
- Organisational Security
- Software restriction policy

6.11.13. Security awareness and education

We were also not able to determine whether other end users (apart from IT) received appropriate training and regular updates on the importance of security.

6.11.14. Configuration of Access rules

There were no documentary evidence authorising the System Administrator to disable or delete user profiles of staff that were on vacation and those who had disengaged their services from the company.

6.11.15. Access administration / identification & authentication

It was observed that logical access security measures had been put in place by SLPA to ensure that access to its resources were granted only to authorised personnel. However other password security parameters such as minimum password length, password life and alpha numeric settings had not been included in the procedure/security standards. Additionally these settings had not been predefined on the network system and company applications.

6.11.16. Monitoring and Risk Assessment Activities

It was observed that the monthly reports were addressed/forwarded to the General Manager (GM) instead of the Audit Committee instituted by the Board thus compromising the integrity of the whole process. Furthermore, it was observed that a risk assessment framework had not been put in place by

management. Consequently no IT risk assessment was performed during the period.

6.11.17. Computer Operations - Business Continuity (Recovery)

It was observed that SLPA was yet to develop a Business Continuity plan which should detail disaster recovery policy and strategy plans for minimising disruption to the business including tasks and responsibilities, Disaster Recovery Committee (DRC), interim processing guidelines for key business systems, contact numbers of members of the DRC, amongst others.

6.11.18. Backup of Data and system files

Adequate backup of application data was not performed by the IT Department. Consequently, the audit team found it difficult to obtain electronic copies of transactions during the period under review. Discussions with the Head of IT revealed that backup was performed on compact disks (CDs) which were kept onsite though in a secured safe. However, a register was not maintained by the IT department detailing the backup processes and status of backup media i.e. when the backup was done, who did it, the status of the process (successful or not) and the location of the media (onsite or offsite). As a result, we were unable to ascertain the adequacy and completeness of the backup process.

6.11.19. Problem management procedures

SLPA was yet to develop a problem management policy and procedures. However, problems encountered by users on the companying applications were logged by the IT personnel representing the helpdesk in a manual log book. It was also observed that the company did not have a help desk application deployed to effectively track, analyse and resolve operational problems relating to Company Manager and other IT related systems.

6.12. Sierra Leone Airport Authority (2009)

6.12.1. Review of the 2009 Management Letter

6.12.1.1. Review of Recurrent Budgets

An analytical review on the profit and actual results budgeted for 2010 revealed the following variances:

Description	Budget Le'000	Actual Le'000	Variance Le'000	Variance %
Total revenues	32,505,040	31,697,543	(807,497)	(2%)
Administration expenses	11,106,699	11,881,296	(774,597)	(7%)
Financial expenses	4,644,109	5,208,485	(564,376)	(12%)
Commercial expenses	1,298,614	1,416,063	(117,449)	(9%)
Project expenses	-	1,002,504	(1,002,504)	(100%)
Profit/loss before tax	2,888,610	808,227	(2,080,383)	(72%)

It was recommended that in future the budgeting process should take such factors into consideration to ensure that final estimates were close to target. Detailed investigation should be also undertaken on the adverse variances and evidence of action taken should be documented and filed and such a process should be undertaken regularly in future.

Official's Response

The General Manager explained that the adverse revenue variance was due to delays in the implementation of the new charges that were introduced in 2010. The charges he further stated were budgeted to have been introduced in March, 2010, but delayed until May, 2010.

In the area of expenses he said that generally the adverse expense variances were due partly to the huge change in foreign exchange rate that led to increase in the price of goods and services. He further mentioned that introduction of the Goods and Services Tax also led to actual expenses exceeding the budgeted as that was not anticipated at the time of preparing the budget. In addition to this, he said the following specific explanations could be part of the cause for the under mentioned adverse variances.

In his reply to Administrative Expenses, he stated that the adverse variance of 3% could also be due to the huge new employment in July, 2010 that was not budgeted for.

Relating to Finance Expenses, the General Manager said that the increase in interest rate could also be the cause for the adverse variance of 12% as the Authority had been servicing loans and overdrafts from commercial banks.

He explained that for Commercial Expenses, the Authority was called upon by the government to join the re-branding process of the country and was therefore engaged in expensive international commercial advertisement in 2010 which led to more spending than was budgeted.

The adverse variance of 8% in Engineering and Maintenance expenses could also be attributed to the increase number of developmental projects undertaking by the Authority towards the end of the year in response to the call to join the re-branding process of Sierra Leone, the Airport Manager mentioned.

In the area of Project Expenses he mentioned that the Authority was expecting the transfer of ground handling operations to a concessionaire to have been done before the end of 2009; hence he said, the ground handling project expenses were not budgeted for and this scenario accounted for the 100% adverse variance on project expenses

In conclusion, the General Manager said that the Profit/Loss before tax had an adverse variance due to all of the factors narrated above.

6.12.2. Expenses

Le 3,234,000 was noted between the amounts on the Payment Vouchers and those on the supporting documents. In addition, a difference of Le 3,336,000 was also noted between the Payment Vouchers and the General Ledger. It was therefore recommended that management should ensure that control procedures were complied with to avoid lapses.

Official's Response

The General Manager explained that those were payments to casual workers who constituted different departments wherein each department's time sheet was maintained separately but merged together in preparing payments in the name of the cashier who after collecting the payment sent each department payment to its supervising foreman together with the listing. He mentioned that when payment was completed, the foreman returned the listing to the cashier who in turn attached such listings to the respective payment voucher. He added that it was during this process that some of the listings in question were wrongly attached and promised that steps will be taken to ensure that such a does not occur again. For the issue relating to the Le 3,336,000 he mentioned that it was an input error. He further said that the review process would be made much more robust to ensure that any case of input error in future will be noted and corrected. He however noted that appropriate journal would be prepared for the amount under reference.

6.12.3. Cash and Bank

Name	Account Code	Amount (Le)
Moses Thompson	5090-12	22,917,417
Moses Fatoma	5090-17	2,644,000
E. A. Macualey	5090-24	4,200,000
A. M. S. Kamara	5090-28	9,521,000
Bobson A. Kargbo	5090-41	16,000,000
J. H. Kajue	5090-49	9,000,000

Retirements were not made for cash floats given to staff to spend on behalf of the Authority. For example, a difference of Le 161,574,204 was also observed between the cash count certificate and general ledger for Lungi cash in hand. It was recommended that management should ensure that all retirements for cash float should be done once transactions were complete in order to reduce the risk of irregularities. Furthermore investigation on the difference between cash count certificate and general ledger should be expedited.

Official's Response

The General Manager stated in his reply that it was the policy of the Authority for all cash floats to be retired as soon as the work for which it was meant was completed, but sometimes there were slight delays in the retirement process. This, he said was normally cause by staff that went on vacation leave or travel overseas before completion of the work or immediately after its completion. He further noted that this was precisely the situation for the cash floats and the retirements will be done as soon as the staff in question resumes duty. On the issue of the difference between the Cash Count Certificate and the General Ledger, he mentioned that the board was waiting for the final report of the investigation committee and the police report to enable them take appropriate action on this issue.

6.12.4. Receivables

There was no movement over the years in the receivables account listed below:

Debtor	Balance as 31 December 2010 Le
Easter model	131,867,520
SALWACO	29,337,835
Heli Air (WFP)	43,335,445
IPC Travel	40,180,536
Ghana Airways	107,515,686
West Coast Airways	118,315,535
Paramount Airlines (MI-8)	128,514,128
Weasua Air Transport (IPC)	49,589,577
TOTAL	648,656,265

Advances made to some suppliers for goods that had been received, still appeared as receivables in the Financial Statements. Goods Received Notes were not raised to reduce receivables. The following are examples:

Name	Account Code	Amount (Le)
Electra General Merchandise	4240 – 41	18,062,000
Aluminum Kasirr	4240 – 5	24,550,000

It was recommended that the balances noted should be reviewed and the Authority should ensure that once goods were received, a goods received note should be raised to cancel the receivables.

Official's Response

The General Manager explained that exceptional circumstances, especially in life threatening situations warranted loans to be given to staff with existing loans. He however mentioned that he will ensure the spirit of the terms and conditions of service was safe guarded such that the additional loan granted did not create undue stress on its recipient. Recoverability he said, was well assured. He also maintained that all loans given to staff in excess of their terminal benefit were always guaranteed by a staff whose terminal benefit always exceeded such loan.

On the issue of the receivable schedule, he mentioned that the exception of SALWACO, all the other customers in the schedule had ceased operation and had previously approached NCP to have these debts written off but their request was rejected. With respect to SALWACO he stated that the Authority shall enter into a cross-debt arrangement with them to have this debt set-off against water rate bills of the Authority.

On the area of Goods Received Notes, he noted that these were urgent procurement of materials needed for the maintenance of Presidential Lounge at the Airport and because of the exigency of the work, materials purchased were sent direct to the maintenance site. He maintained that the normal procedure of having them through stores department was inadvertently skipped but the Management was in the process of working to have the entire process regularized.

6.13. Sierra Leone Telecommunications Company Limited (2007)

6.13.1. Expenses

Charges for space segment rental were included in the financial statements due to the fact that management of these services had been out sourced. Supporting documentations in respect of this claim were not available for inspection. Depreciation charge computations were done on the basis of account balances in the general ledger rather than the value of individual assets.

It was recommended that supporting documents in respect of this claim should be made available for inspection and depreciation charge must be computed using the value of individual asset.

Official's Response

The Managing Director in his reply said that there was confusion in the meaning of the words "space segment rental" and bandwidth and that these two were the same as they both referred to the satellite bandwidth used to connect calls to the rest of the world. He also stated that Sierratel had been paying for the space segment rental to Intelsat ever since but the name was however changed to bandwidth in 2006 when Teltac took over the management of the gateway. He added that in all cases, Sierratel was still responsible for making monthly international payments to Intelsat and other satellite operators such as New skies and Arabsat. He further mentioned that in 2007 the computer carrying information on the asset register crashed and management was able to retrieve the data in 2008. Hence the correct depreciation was calculated in 2008.

6.13.2. Cash and Bank

A review of monthly bank reconciliation statements revealed uncredited lodgements shown as reconciling items in the reconciliation statement. They were as follow:

Bank	Account No.	Amount (Le)
Standard Chartered Bank	0100100125000	3,364,700
Union Trust Bank Limited	21001005752-01	9,279,559
Guarantee Trust Bank Limited	2010424- 6/1/1/0	2,272,120
Sierra Leone Commercial Bank Limited	1002241	8,960,126
Rokel Commercial Bank Limited	1540188	15,029,000
		38,905,506

Cash and cheque in hand of Le 7,470,711 also remained constant for two years. In addition, reconciliation statements were not prepared on a regular basis and some of those prepared lacked evidence of the preparer and reviewer. It was recommended that unaccredited lodgments shown as reconciling items in the monthly reconciliation statements should be written off. In addition, the amount of Le 7,470,711 should be investigated. Furthermore reconciliation statements prepared should be reviewed by senior personnel.

Official's Response

The Managing Director in his response stated that uncredited lodgment of Le 38,905,506 related to the pilfering of funds by the cashiers in 2003 adding that a decision was taken by the Board to terminate and dismiss the cashiers in question. He mentioned that this amount can no longer be recoverable therefore he had recommended to the Board of Directors for a write-off. Furthermore he stated that he had already recommended a write-off to the Board of Directors for the cash and cheques in hand of Le 7,470,711 and reconciliations were done regularly and the appropriate personnel check and sign for perusal and vouching.

6.13.3. Payroll

The under- mentioned staff were still on the payroll after their contract with the company had ended and these amounts added up to the total payroll cost.

Name	Resignation/Death Date	Month
KombaYongu	20.02.07	March, April and May
Foday Sesay	21.02.07	March, April and May
Joseph M Lahai	02.03.07	April and May
Sorie Turay	21.02.07	May
Komba D Sorie	30.09.07	October

It was recommended that the overstated payroll should be investigated and reversed where appropriate.

Official's Response

The Managing Director in his response stated that the payroll was not immediately apprised of resignations, retirements, termination etc. by the Human Resources Department, hence the salaries of the personnel in question were not removed in time from the payroll. He however mentioned that when the retirement benefits of personnel were finally paid such amounts were deducted from those benefits.

6.13.4. Inventory

It was observed that the inventory valuation sheet recorded a substantially lower figure of Le 1,457,084,886 than that of the trial balance. There were no stock valuation policies to be used to value stock at the end of the financial year. It was recommended that the differences in inventory should be investigated and reconciled as appropriate and that the company should use appropriate stock valuation method to value their stock at the end of the financial year.

Official's Response

The Managing Director in his response stated that he had recommended a write-off to the Board of Directors and in addition, the stock valuations policy was the weighted average method.

6.13.5. Receivables

There were no movements over the years in the receivables account listed below:

Debtor	Balance as at 31 December 2007 (Le)
Mobitel	1,821,904,900
Sierra Communications	63,252,958
S.G Telecoms	3,200,821,331
Telephone monthly	483,931,510
Telex monthly	178,229,422
Telecards debtor	161,948,705
Sundry debtor for service	16,594,080,147
	22,504,168,976

The Government of Sierra Leone still owed the company Le 35,258,868,000. This debt included receivables which had been outstanding for over six years. It was recommended that provision should be made for these balances.

Official's Response

The Managing Director stated that he had recommended a write-off of the total amount of Le 22,504,168,976 from the receivables relating to Mobitel, Sierra communications, S.G. Telecoms, Telephone monthly, Telex monthly, Tele card debtors and Sundry debtors for services.

6.13.6. Payables

The Company did not apply an actuarial valuation method in the calculation of its employment benefit obligations contrary to IAS 19. A suspense balance of Le16,937,335,000 included in payables could also not be verified as no supporting documents were provided in that regard. It was therefore recommend that the company should apply an actuarial valuation to ascertain the correct value of their employment benefit obligations. In addition, necessary supporting documents should be provided for the figure stated above.

Official's Response

The Managing Director in his response explained that the company paid terminal/retirement benefits based on the agreement entered into between the company and the PUGTNC Agreement. He however noted that the company in 2006 engaged the services of an actuarial firm from Nigeria to work on the Sierratel pension fund of the company in order to establish the true position of the fund. He mentioned that his exercise was completed and that he wished to state that all matters relating to Pensions were now handled by NASSIT. He further noted that the company was engaged in paying pensions for pensioners in the Sierratel Pension Fund in order to help sustain the fund.

6.14. Sierra Leone Water Company (2009)

6.14.1. Operating environment and the system of internal control

There was no evidence of Head Office supervision on branch operations, no budgets, profitability targets, financial and other operational goals set by management for the whole of the period under review.

Revenue from water rates and other charges were recognized only when payments were made by the customers instead of the point in time at which the goods were provided. As a result, revenue was not recognized in the period in which the supplies are made.

Details of total bills issued for the period were not included in the returns sent to Head Office. Therefore the Auditors could not verify the accuracy or completeness of the income stream.

Adjustments were made to revenue received for Water Rates and Charges. However, supporting documents in relation to these adjustments were not made available for inspection.

The Company's listing of property, plant and equipment, lacked important details such as cost, date of purchase, depreciation rate and accumulated depreciation. In addition, there was no asset capitalization policy for the period under review. Furthermore the Company occupied the current premises at Tower Hill based on "long usage". However no rental or lease agreement existed between the Company and the owners of the premises.

It was therefore recommended that Management should expedite the implementation of the audit recommendations so as to enhance a proper control environment.

Official's Response

The Managing Director explained that management was in the process of procuring the service of an Asset Valuer to determine the Present Value of the asset since their historical cost cannot be easily traced or determined. He added stating that 80% of the company's assets were inherited from the Government of Sierra Leone. He also mentioned that the Finance Director had been mandated to draft an Asset Capitalization policy. He further mentioned that the Sierra Leone Water Company Act 2001 stated that the assets will be vested to the company by the Minister of Energy of Water Resources and the process was on-going

6.14.2. Weaknesses in the Accounting System

The analysis and supporting documents in respect of other expenses which amounted to Le42,500,000 were not made available during the audit. It was therefore recommended that the analysis should be provided for all figures in the accounts and the same should be supported by sub-schedules and adequate supporting documents.

Official's Response

The Managing Director stated that those were opening balances for the FY2008 for which details were not available.

6.15. National Insurance Company Limited (2009)

6.15.1. Reconciliation of General/Life Suspense Accounts

A review of the receivable and payable balances between the General and Life ledgers revealed that both ledgers were not reconciled during the year. This resulted in un-reconciled differences amounting to Le 449.8 million, between the two accounts. Management should ensure that transactions are frequently reconciled and reconciling items promptly cleared.

6.15.2. Absence of Customer Files

We were unable to verify files for some customers with outstanding balances amounting to Le159.6 million and consequently we were unable to ascertain the accuracy and existence of these balances. It was recommended that a proper filing system should be maintained to keep track of the movement of files within and among each of the strategic business units.

6.15.3. Reconciliation and recording of investment

The company's investment with First Discount House and Capital Discount House were not being reconciled thereby resulting in differences between amount confirmed by Capital Discount House and that maintained in the general ledger. It was also observed that treasury bills were accounted for at cost without recognizing the unearned portion.

6.15.4. Impairment of investment property

Included in investment property was a title to 78.4 acres of land at Hill Station amounting to Le116 million which had been either sold or leased to foreign missions, companies and individuals by the Government of Sierra Leone. The asset should be impaired and an impairment allowance recognised for it in the financial statements.

Sierra Leone Road Transport Authority maintained a fund with National Insurance Company Limited from which their staff obtained loan and deductions were made at source by the management of SLRTA and paid over to National Insurance Company. It was observed that National Insurance Company did not maintain an up to date record of the staff and approval letters for the existing loans given were not made available by management for review.

6.15.5. Non-compliance with International Accounting Standards (IAS 19)

The Company did not use actuarial assumptions in determining the end of service benefit provision as required by International Financial Reporting Standards (IAS 19). Accordingly, we were unable to verify the completeness and accuracy of the employee benefit liability at 31st December 2009.

6.15.6. Non-compliance with Insurance Act 2000

The Insurance Act, 2000, section 55 stipulated that 'No insurer shall grant loans or temporary advances either on hypothecation of property or on personal security or otherwise to any director, managing director, general manager or principal officer of the insurer by whatever name called' It was observed that National Insurance Company was in breach of the Act by giving out loans to directors.

6.15.7. Recognition of premium revenue

The Company recognized premium revenue for renewal policies that commenced in the ensuing financial year; as such premium revenue amounting to Le362 million relating to 2010 financial year was recognized in the 2009 financial year. Management should ensure premium revenue was recorded appropriately.

6.15.8. Inadequate monitoring of bank lodgements

A review of the Company's respective bank reconciliation statements revealed that there were long outstanding items that spanned as far as 2007 and 2008 in the Sierra Leone Commercial Bank, Union Trust Bank and the Rokel Commercial Bank reconciliation statements. All these lodgements were

purported to have been deposited at the bank without being reflected in the bank statement. It was also noted that management had made no effort to resolve the issue. If the amounts remained reconciling items, it meant that the company would have no access to those funds even though the funds had allegedly been deposited into the bank.

6.15.9. Absence of cash count certificate

Although a year-end cash count was organized by the internal audit department, no cash certificate was issued to confirm the cash balances as at 31 December 2009. Cash counts should be done regularly with adequate segregation and petty cash payment should be approved and adequately supported.

6.15.10. Lack of standardized human resource manual

There was no standardized human resource manual or staff hand book that served as a guide for the Company's policies on recruitment, training, motivation, performance assessment, etc. Management should ensure that a human resource manual is compiled and made available to staff so that they could be aware of the relevant company's policies affecting them.

6.15.11. Fixed Assets Management

The Company did not maintain a proper fixed asset register. There were no identification tags on the Company's assets register as such making it difficult for items to be verified.

6.15.12. Information Security Policies and Procedures

The National Insurance Company Limited was yet to develop and implement comprehensive information security policies and procedures to ensure that access to its network and sensitive financial information was granted to authorised personnel only.

6.15.13. Physical access

The National Insurance Company was yet to develop formalised procedures governing physical access to its IT resources. Our inspection of the data centre that housed the main business servers, revealed that management had implemented adequate environmental controls such as air conditioners, smoke detectors, fire extinguisher, etc., to ensure that the critical IT infrastructure functioned within the Company's normal premises requirements and that they functioned within the limits specified by the manufacturers. It was however observed that an access register/log had not been deployed and thus was not available for our review. Activities within the server room were thus not logged and monitored.

6.15.14. Configuration of access rules

The National Insurance Company had no formalized policies or procedures governing the profiling of users on the CSIA application and the network.

6.15.15. Access administration

The National Insurance Company was yet to develop and implement formal policies and procedures guiding the creation, modification and management of user profiles on the CSIA application and the network. No policy or practice was established regarding the management of user profiles, disengaged users, users who change departments and users on vacation. Users on vacation were left active on the network and business applications.

6.15.16. Identification and authentication

The National Insurance Company had not instituted formalised processes, practices and standard naming conventions to be used regarding the creation and use of unique user ID's and passwords for access to CSIA application and the network. Additionally, guidelines on password settings did not exist.

6.15.17. Super user profile

No formalised policy existed to provide guidelines on creating and managing super user profiles or users with administrative privileges on the network and business applications. Additionally, we also

noted that a review of super user activities was not carried out on a periodic basis to ensure that those privileges were not used to circumvent the laid down controls for anomalous use to the detriment of the Company, more so in the capacity that the systems administrators were external consultants.

6.15.18. Control Environment and Risk Assessment

Even though the business application and processes had been set up in a way which reduced the criticality of IT to the operations of the organisation, the business was still reliant on IT. The IT function was manned by an accounting assistant in the Finance department and no proper structure was implemented. All key IT support was from outsourced consultants.

6.15.19. IT strategy

The corporate strategies had not been documented in an IT Strategy document that was supposed to indicate the future plans of the IT department to aid the Company as a whole in achieving its corporate objectives.

6.15.20. Monitoring and risk assessment activities

The Review and monitoring of the IT operations were lacking and this was evidenced from our review of the 'memos' generated by Internal Audit. It was also observed that no IT related issues were raised in the memos.

6.15.21. Back up and Disaster Recovery Plan/Business Continuity Plan

The Company had no detailed documented guidelines on backup and recovery procedures. The Company was yet to develop and implement a formalised Disaster Recovery Plan/Business Continuity plan to ensure continuity of business operations in the event of a major disruption or a disaster.

6.15.22. Computer Virus Management

The Company was yet to develop an antivirus policy and procedures document as a guide to the management of viruses and other malicious codes. We noted in practice however the existence of the E-scan antivirus solutions across the Company's IT infrastructure (corporate antivirus solution for the all computers). However, our review showed that antivirus updates were not being monitored effectively.

6.15.23. Incident/problem management procedures

The Company was yet to develop a problem management policy and procedures guidelines that would detail amongst others:

- Communication of operational issues;
- Resolution of issues by IT personnel;
- Logging of issues;
- Escalation procedures.

It was also observed that problems encountered by users on the CSIA application were not logged by the application administrator. The Company did not have a help desk application deployed to effectively track, analyze and resolve operational problems relating to this application and other IT related systems. Errors, faults, incidents, etc., should be logged and a plan of action instituted for resolution or appropriate steps taken to escalate the same to relevant parties. Internal Audit should be mandated to monitor and report on open (unresolved) items and/or long outstanding items at a given period of time.

6.16. National Public Procurement Authority (2007and 2008)

6.16.1. Internal Audit

The Authority has not set up an Internal Audit Unit charged with the responsibility of reviewing the overall operations of the Authority.

Official's Response

The Executive Director, in his response pointed out that the recruitment of an Internal Auditor including the establishment of an Internal Audit Department was planned for year 2011.

6.17. National Public Procurement Authority (2009)

6.17.1. Employee files

Leave allowance, amounting to Le 5,600,000 was paid to a contract staff in 2009. However, a review of his employment contract revealed he was only entitled to leave days and not leave allowance. Some staff members were promoted in the year under review but we were unable to ascertain the basis for such promotions as Board and Management minutes for that period were not produced for audit inspection. Employees files were not properly maintained as Curriculum Vitae and other documents were missing from the files.

It was recommended that Dr. A. Matturi should refund the leave pay that was erroneously paid to him in 2009. In addition, staff personal files should be updated on a regular basis to take account of any recent changes that may occur.

Official's Response

The Executive Director, in his reply, stated that leave allowance paid was in accordance with international best practice of paying a thirteen month fee to consultants. He said further that staff files had now been organized and a policy to update them biannually had been put in place by management.

6.17.2. Fixed Assets &Withholding Taxes

The Fixed Assets Register was not physically verified on a regular basis to ensure that assets owned by the Authority were in existence and in good condition. It was therefore recommended that assets should be physically verified, at least on a yearly basis, to confirm the existence of assets in the Authority's Fixed Assets Register.

Official's response

The Executive Director stated that he had noted the audit recommendation.

It was stated in the Executive Director's reply that all outstanding payments had now been made to the NRA and that receipt documents were available for inspection and that all taxes withheld were now paid within fifteen days of the end of the month.

Upon verification it was noted that evidence for the payment of outstanding withholding taxes was not made available for inspection. Also there was no evidence to show that a policy of remitting all taxes withheld to the National Revenue Authority within fifteen days of the end of the month had been instituted as the tax liability of the Authority was on the increase.

Taxes withheld from suppliers payments for goods and services for the period 2009, to the tune of Le 12,426,593 were not remitted to the NRA.

It was recommended that all outstanding unpaid withholding tax must be paid over to the NRA, with immediate effect, and in future, all taxes withheld from suppliers' payment must be paid over to the NRA within fifteen days of the end of the month in which it was withheld.

6.17.3. Unsupported Payments

Disbursements of funds, to the tune of Le 41,021,000 in 2008, were not backed by supporting documents. It was therefore recommended that expenditures incurred should be backed by adequate supporting documents by way of payment vouchers, invoices and receipts. Full recoveries should also be made for any amount not backed by adequate supporting documentation.

Official's response

The Executive Director, in his reply, stated that all payments were backed by adequate supporting documents and that they were available for verification.

Auditors were unable to verify supporting documents, to the tune of Le 9,000,000 which related to advertisement and publicity. Moreover, payment vouchers, totalling Le 32,020,000 were still without the relevant supporting documentation.

6.18. Sierra Leone State Lottery Company Limited (2009)

6.18.1. Management of property, plant and equipment

Management did not maintain a comprehensive Fixed Assets Register. Management was notified and they opted to prepare Fixed Assets Register. Nonetheless the exercise revealed material differences in depreciation charge per Assets Register and trial balance which resulted in the re-computation of the depreciation by the audit team and trial balance. The company should endeavour to maintain an updated Fixed Assets Register indicating the date of purchase, description of assets, amount, depreciation rate and location of all its Fixed Assets.

6.18.2. Revaluation of property, plant and equipment

In 2004, the company opted for the revaluation model for valuing its office premises at No 44 Siaka Steven Street, in accordance with the International Financial Reporting Standards (IAS 16) and the valuations must be kept sufficiently up to date so that the carrying amount did not differ materially from that which would be determined using fair value at the balance sheet date. However, no subsequent revaluation activity had been carried out since the initial revaluation exercise. Management must endeavour to carry out a revaluation exercise on this property on a regular basis to ensure that the carrying value of this property at any balance sheet date does not exceed its market value.

6.18.3. Long outstanding reconciling item

A review of bank reconciliation statements revealed long outstanding items, some of which were captured in 2008 and as at 31st December, 2009 were still outstanding. Management should endeavour to conduct a thorough investigation, to resolve long outstanding items.

6.18.4. Bank reconciliation statement

Bank reconciliation statement was not properly reviewed, as a difference of Le 14,523 was noted between actual cashbook balance and alleged cashbook balance per reconciliation statement and this was marked, checked and reviewed by the Treasury Manager. Management must endeavour to implement a thorough review process so as to ensure errors and omissions are identified to facilitate prompt action.

6.18.5. Actuarial valuation of end of service benefit

It was observed that the company's present position on end of service benefit increased by 41% on 2008 provision; this also represented 16% of total assets. The amount recognised as liability was however not determined actuarially as required by the International Accounting Standard No.19 on employee benefits for a defined benefit scheme. For that reason, the audit team could not verify the completeness and accuracy of the employee benefit liability at 31 December 2009. Management must ensure that provision of end of service benefit was in compliance with accounting Standards (IAS 19). The company could alternately switch to a defined contribution scheme for which an actuarial valuation is not required.

6.18.6. Retained earnings/general reserves reconciliation

The audit team identified a series of journals totalling Le 944,251,224, booked by management into 2008 records, subsequent to the audit field work but prior to the approval of the financial statement by the directors and these entries were not reflected in the financial statements. This resulted in some of the opening balances in the company's records not corresponding with the audited financial statement for the Year ended 31 December, 2008. This issue was compounded by the fact that the journals were effected 11 months following the balance sheet date; therefore management should have been in a better position to identify such misstatement and bring this to the notice of the external auditors. Management must make sure that all transactions are captured before the financial statement is approved by the Board.

6.18.7. Independence of internal audit departments

The company maintained an in-house Internal Audit Department which happened to report directly to the Managing Director as indicated in the Organogram. Ideally, Internal Audit Departments were set up to identify and assess risk and also to check and report non compliance of policies and procedures adopted by management. In order to preserve the independence of the Internal Audit, there must be an independence group of company officials for the purpose of reviewing and echoing findings at Board level and this will help ensure that the objective of Internal Audit Department is achieved. The company must form an audit committee, comprising of at least 3 non-executive directors, for the purpose of reviewing the findings and recommendation by the Internal Audit Department. Also to help ensure that recommendations were promptly and appropriately implemented.

6.18.8. Receivables from the National Commission for Privatisation

The company's property at Tower is partly occupied by the company whilst the remaining portion is rented out to the National Commission for Privatization and the Sierra Leone Audit Board. These companies also share common facilities such as electricity and water. From an agreement between the company and the National Commission for Privatization, upon receipt of the bills from service providers, the management of the Sierra Leone State Lottery Company makes payment to these suppliers and later bill the National Commission for Privatization and the Sierra Leone Audit Board based on office floor occupied. The audit team noted that unlike the Sierra Leone Audit Board, the National Commission for Privatization has not been making prompt settlement for utility bills paid on their behalf and rent for the flat occupied. Highlighted below is analysis showing the balances as per client record over recent period.

Description	2008 Le '000	2009 Le '000	2010 Le '000
Rent	989,437	1,306,938	1,119,062
Utilities	13,862	45,371	45,371
TOTAL	1,003,299	1,352,309	1,164,433

The analysis above show that these balances had been accumulating and management continued to incur expenses on their behalf and that the National Commission for Privatization has shown no serious intention to meet their obligation. Management must endeavour to collect all outstanding rents from the National Commission for Privatization and also cease to make settlement for utility bills on their behalf until refunds are made.

6.18.9. Non-payment of taxes to the National Revenue Authority

It was observed that the company had not paid Cooperation tax and Pay as You Earn Tax amounting to Le 484 million and Le 517 million, respectively, for 2009 in compliance with the Income Tax Act. It was also noted that these amounts had been accumulated over the years and management had not made clear any strategy regarding the settlement of these balances in the near future. Management must ensure all regulatory requirements such as prompt settlement of Cooperation tax and Pay as You Earn Tax are adhered to.

6.18.10. Classification of withholding tax

It was noted that management was in the practice of recognising withholding tax paid by tenant as assets and during the course of the audit exercise we also identified withholding tax of Le27,511,000 paid by tenant being recorded as assets. Management must recognise that all withholding tax paid by tenants as expenses.

6.18.11. Management of NASSIT contribution account

Total accrued NASSIT for December, 2009 was Le 11,609,125 whilst the account balance showed Le 67,430,999.91. It was also noted that NASSIT accrued for October and November, 2009 were completely paid. Management must endeavour to prepare a reconciliation statement especially for balance sheet accounts so that long outstanding items and miss postings are identified and corrected.

6.18.12. Settlement of trade debt

The company has not been making prompt settlement to its only supplier of Lottery Tickets, Romarong. Trade balance with this party at balance sheet was Le 197, 995,771 signifying that the company took an average of 72 days before settling its balances with this party. The audit team was also able to identify a list of invoices regarding 2008 transactions which were currently outstanding. The company must endeavour to make prompt settlement to its trade debtors.

6.18.13. Differences in staff advance register and trial balance

A difference of Le 10,348,169 was identified between the staff advance register and the trial balances, resulting from miss posting into the general ledger which was not detected by management. Management should ensure proper book keeping is done.

6.18.14. Audit plan

It was noted during the audit that the internal audit department did not maintain an audit plan. The internal audit team must endeavour to prepare a work plan for each financial year detailing its plans in achieving the audit objective.

6.18.15. Misclassification of income

The sales revenue from the different products was misclassified. Monitoring or checks should be done regularly by Heads of unit to ensure that such errors do not occur or even if they occur, to be able to identify them on time and then make the necessary reclassifications or amendments.

6.18.16. Misstatement of revenue

It was observed that actual quantities sold and sales returns were also misstated when entering the details into the system. These errors were however reversed (some on the same day and others, subsequent days), but it was possible that there were significant posting errors that management was not aware of and in effect, were not reversed. We therefore recommend that controls should be put in

place to mitigate such errors. Controls like having separate individual posting and reviewing, and also doing reconciliation between actual tickets sold for the period and amount posted into the system on a regular basis.

6.18.17. Difference in actual cost computation

From our review of the contract agreement between Sierra Leone State Lottery and Ro-Marong Industries Ltd, differences were noted on the agreed price per ticket. Terms and conditions of the contract agreed on by the Board of Directors should be strictly adhered to.

6.18.18. Inaccurate PAYE computations

Using the approved Income tax rate, P.A.Y.E computed for some staff (those of higher grades) was inaccurate as the results from the computation revealed that P.A.Y.E deducted from this category of staff was higher than what was supposed to be. P.A.Y.E should be computed based on the approved rates and computation should be reviewed to ensure accuracy.

6.18.19. Unapproved journal postings

During the review, it was noticed that the following journals were not approved by the relevant authority. Also, from inquiries made it was noted that the preparer posted the entry raised into the system. We recommend that the entity instituted adequate segregation of duties when raising and posting journals.

6.18.20. Inadequate supporting documentation for operational expenses

Certain expenses termed confidential disbursement (CD Expenses) were filed without any supporting documentation. Operating Expenses were filed with photocopy of a document called 'Minute Paper' with prices quoted on it rather than the original invoice from the supplier. Each invoice for goods and services should be attached to all relevant supporting documents relating to the procurement process.

6.18.21. Non-compliance with procurement procedures

As per the policies of the organisation, three pro-forma invoices should be obtained from three (3) different suppliers when purchasing goods. However, from our review it was noted that this had been flawed.

6.18.22. Non-compliance with inventory management procedures

The ticket production summary report sent by Ro-Marong that was supposed to be signed by various officials was only signed by the Security Printing Officer.

6.18.23. Absence of stock -take report

As per the policies of the organisation, stock take should be performed monthly. However, from review and inquiries, it was performed half yearly and no report was provided to us for this to show evidence of the count.

6.18.24. Poor inventory management

The records in the financial statement differed significantly from that maintained by the stores department.

6.19. Sierra Leone Investment and Export Promotion Agency (2009)

6.19.1. Cash Count

Although cash counts were carried out by the agency, they were not witnessed by a third party. It was therefore recommended that all year-end cash count exercises must be witnessed by external auditors.

Official's Response

The Chief Executive Officer (CEO) responded that all future cash counts would be witnessed by an external auditor.

6.19.2. Fixed Assets

Labels/codes of fixed assets were not included in the fixed assets register. It was therefore recommended that the agency should maintain a standard fixed assets register, indicating codes and locations of its assets.

Official's Response

The CEO stated, in his response, that locations of assets were included in the Fixed Assets Register and that steps would be taken to include the identification codes as well.

6.19.3. Payroll

PAYE and NASSIT contributions were deducted from staff emoluments but the monies were not paid over to the respective authorities on a timely basis. PAYE was overstated for the months of March, April, May, June, July and August, 2009 to the tune of Le 2,039,776. Staff personal files were not updated regularly. Increases in staff remuneration were awarded but no supporting correspondence to authenticate the action was seen. There also was a change in the composition of Directors' salary with no supporting correspondence to validate the action. Loans were given to staff who did not meet the minimum requirement set in the conditions of service.

It was recommended that with immediate effect, all PAYE and NASSIT deductions should be paid over on time to avoid the imposition of penalties by the appropriate authorities. In addition, a tax rebate should be given to settle the overpayment of PAYE. Furthermore, staff personal files should be updated on a regular basis to take account of any recent changes that may occur and the agency must implement its loans policy as stated in the conditions of service.

Official's Response

The CEO in his reply stated that:

- *He would pay all PAYE and NASSIT deductions on time to the appropriate authority in future;*
- *His approved budgetary allocation was not fully paid to them, which resulted in some financial constraints;*
- *A tax rebate would in future be paid to staff;*
- *The maintenance of Personal files had improved from the last audit and they would strive to make the filing system better; and*
- *Management would review the loan policy.*

6.19.4. Unsupported Payments

Some items of expenditure were still not requisitioned, and PVs to the tune of Le 3,347,750 were still without adequate supporting documents.

6.19.5. Conditions of Service

The Agency did not have an approved Conditions of Service. In addition, personal files were not maintained for the CEO and his Directors. It was recommended that the agency should develop a package of Conditions of Service and also have personal files maintained for every staff.

6.19.6. PAYE

PAYE tax amounting to Le 54,052,565 was not deducted from staff benefits. It was recommended that PAYE must be deducted from other benefits and paid to the NRA.

6.19.7. Staff Travel Advance

Balances on staff travel advance account were not supported by a list of individual staff balances. It was recommended that staff travel advance must be supported by a list of individual staff balances.

6.20. Office of the Ombudsman (2009)

6.20.1. Creditors

It was observed that withholding taxes were not deducted from suppliers and paid over to the NRA. It was therefore recommended that complete and accurate calculations of withholding tax should be made, full amount paid on time to the NRA and steps should also be taken to recover such amounts from suppliers affected.

Official Response

In his response the Ombudsman explained that the issue was caused by oversight and that action was being taken to collect the amounts involved for payment to the National Revenue Authority.

6.20.2. Unresolved Matters

There were nineteen complaints which were unresolved since 2008. It was recommended that all efforts should be made to resolve outstanding matters dating back to 2008 and matters which the Ombudsman did not act upon, should be forwarded to Parliament, as stipulated in Section 14 of The Ombudsman Act, 1997.

Official's Response

The ombudsman explained that the office of the Ombudsman had the primary responsibility to receive, examine and resolve complaints and continuous efforts were being made to do so. He stated further that some complaints were complex, sometimes with fundamental legal implications, and did not lend themselves to quick fix treatment or resolution within a financial year like in the case of accounts. He mentioned that final solution to some complaints was referred, in appropriate cases, to the Industrial Court and added that forwarding unresolved complaints to Parliament should only be done as a matter of last resort, he concluded.

6.20.3. Budgets

A budget/forecast was not prepared and made available to the team for inspection for the period under review. It was recommended that budgets should be prepared annually.

Official's Response

The Ombudsman stated that his office now made budget forecasts after receiving a budget ceiling from the Ministry of Finance and Economic Planning.

6.20.4. Payment Voucher Processing

Payment vouchers were not prepared when funds were disbursed. In addition, recipients of funds did not sign to acknowledge that funds had been received. It was recommended that payment vouchers should be prepared when funds were disbursed and must be serially numbered and printed in triplicate. Furthermore, payment vouchers should be signed by the preparer, approved by the manager and the recipient of funds must sign the payment voucher acknowledging receipt of funds.

Official's Response

The Ombudsman explained that according to the Financial Rules and Regulations of the Office of the Ombudsman, which came into force in March 2010, the office had a system whereby payment vouchers were printed by computer and numbered manually. Each voucher, he mentioned, was signed by persons preparing, reviewing, and authorizing it.

6.20.5. No Fuel Distribution Policy

There was no fuel distribution policy stating the exact entitlement of each staff. In addition, there were instances wherein up to thirty gallons were given to staff in one week. It was recommended that a fuel distribution policy should be put in place.

Official Response

The Ombudsman stated that there was a policy on fuel allocation. He attached a copy of the Policy.

6.20.6. Ombudsman's Report

Section 15 of the ombudsman Act, 1997 states 'In addition to the reports on individual cases, the Ombudsman shall prepare and submit to the president a half-yearly report of the activities of his Office and the President shall cause any report together with an explanatory memorandum, to be laid before Parliament'. It was recommended that the Ombudsman should comply with the provisions of the Ombudsman's Act.

Official's Response

The Ombudsman explained that normally similar institutions were required to produce annual report and such reports included audited accounts. He stressed that in keeping with the principle of producing one report and for purpose of economy, there was need to undertake the review of the Ombudsman Act with a view to amending some sections which he said, would include section 15 requiring the production of half-yearly report for the sake of economy in cost printing and consistency.

6.21. Sierra Leone Standards Bureau (2007 and 2008)**6.21.1. Accounting Manual**

The office did not have an accounting manual incorporating all financial rules and regulations as an aide and guide to the finance function in the execution of its operations. It was therefore recommended that an Accounting Manual should be introduced to assist and guide the finance functionaries in the performance of their duties.

Official's Response

The Executive Director explained that the period covered by the Audit exercise represented a transition period of the Sierra Leone Standard Bureau, since the death of the Executive Director and most of what should have been put in place for a coherent take off was delayed. Those accounted for some of the lapses in executing its functions, he added. He however stated that steps had already been taken to obtain a copy of an Accounting Manual and to ensure that henceforth the accounting procedures of the Bureau followed standard guidelines.

6.21.2. Payroll

The payrolls for the period under review were not checked by a senior official to verify the figures. It was recommended that management should ensure that the payrolls should be signed by the preparer and checked by a senior staff to confirm the accuracy of the figures.

Official's Response

The Executive Director stated that the absence of a senior official's signature on payrolls was due to the fact that there were only two members of staff in the Accounts Office and the payroll was done by the Administration and Finance

Officer. The lapse, he said, had been rectified by employing a member of staff in the Account Office for the preparation, so that the Administration and Finance Manager can check to confirm the accuracy of the figures.

6.21.3. NASSIT Deductions

NASSIT contributions were deducted from staff emoluments but these monies were not paid over to the appropriate authority on a timely basis. It was recommended that NASSIT contributions should be paid over to the appropriate authority within the prescribed time.

Official's Response

The Executive Director explained that delay in paying NASSIT contributions on timely basis was because payroll vouchers, which included NASSIT deductions, were prepared well ahead of time before government allocation for salary was received. That he said had caused the delay in the payment of salary and other deductions. He however mentioned that the situation had been communicated to the authority for action to be taken so that in future the institution would be in a position to adhere to regulations.

6.21.4. Fixed Assets

The Bureau did not maintain a proper Fixed Assets Register. There was no capitalization and maintenance policy in place for the repair and maintenance of Fixed Assets, such as computer hardware, vehicles etc. to prolong their useful life. Assets in the bureau did not have identification marks.

The following were therefore recommended:

- A properly designed Fixed Assets Register should be maintained and regularly updated to record any movement by way of addition to, or disposal from the Fixed Assets register at any point in time;
- A verification exercise should be conducted regularly to reconcile the Fixed Assets Register with the assets in existence;
- A proper maintenance policy must be formulated to ensure a prolonged and useful life of the assets by complying with requirements that call for regular maintenance and appropriate care;
- All assets must be marked with the bureau's identification codes; and
- The services of a professional evaluator should be sought so that all assets of the Bureau could be re-valued.

Official's response

The Executive Director explained that since the establishment of the Bureau, most of the Fixed Assets had been acquired through UNIDO and others had been purchased from time to time by the Bureau through funds provided by the Government of Sierra Leone (GoSL). He further mentioned that the Bureau neither maintained a proper Fixed Assets Register nor did they have records of those acquired and where they had been allocated. He agreed that the assets did not bear identification marks. However he stated that the Bureau carried out maintenance on fixed assets as and when necessary, upon the request of Directors of departments or the IT Unit. A policy on the use and maintenance of vehicles had been developed and incorporated into the Bureau Conditions of Service, he maintained. In conclusion, he noted the recommendations of the audit team and promised that he would endeavour to put all of them in place within the shortest possible time.

6.21.5. Review of Bank Reconciliation Statement

For the two years under review, it was noted that the identities of the preparers and reviewers were not noted on the reconciliation statements prepared. It was recommended that all bank reconciliation statements must be signed by both the preparer and the reviewer.

Official's Response

The Executive Director promised that all accounts of the Bureau would henceforth be routinely reconciled monthly and reviewed and signed by the Finance Manager.

6.21.6. File Management System

Documents relating to the Bureau's activities were not properly filed i.e. they were not filed according to activities and payment voucher sequence, making it difficult to trace supporting document to activities in the financial statements. It was recommended that, in future, payment vouchers and supporting documents should be filed by subhead, date or payment voucher number, so that documents relating to particular activities can be easily identified. In addition, the Bureau should ensure that all files are systematically and chronologically kept and properly referenced.

Official's Response

The Executive Director noted the observation of the audit team regarding its filing system as legitimate and appreciated the recommendation in that respect. He said the Bureau would endeavour to apply the filing system as recommended by the team.

6.21.7. Withholding Tax

Withholding Taxes were not deducted from suppliers' payment for goods and services and paid over the NRA. It was recommended that complete and accurate calculations of withholding tax should be made and the full amount paid on time to the NRA. Steps should immediately be taken to recover such amounts from suppliers affected.

Official's Response

The Executive Director explained that withholding taxes were routinely deducted from payment in excess of Le500,000 excluding fuel as required by the existing statute, adding that Management would endeavour to retrieve the total amount of Le2,590,825.00 for 2007 and Le3,157,860.00 for 2008 due to government as withholding tax.

6.21.8. Bank Balances

From the review of the financial statements for 2007 and 2008, it was observed that the Bureau reported having the under-mentioned bank accounts for which account 1008442-01 was the only one verified by the bank.

<i>Account Name</i>	<i>Account No</i>	<i>Amount(Le) 2007</i>	<i>Amount(Le) 2008</i>	<i>Remark</i>
Sierra Leone Commercial Bank	1008442-01	23,548,935	2,217,345	Confirmed
Sierra Leone Commercial Bank	1008442-02	1,484,500	1,484,500	Not Confirmed

It was strongly recommended that immediate action should be taken to investigate and adjust the records of the Bureau.

Official's Response

The Executive Director stated that regarding the Bureau's Account 1008442 – 02, investigations had been made and the anomaly had been rectified. He also mentioned that the Account had been reactivated and had subsequently been in operation.

6.22. Bank of Sierra Leone (2010)

6.22.1. Adequacy of share capital of the bank

At close of business on 31 December 2010, total assets of the Bank stood at Le 2.226 billion, whilst the sum of total liabilities and the minimum paid up capital of the Bank amounted to Le2.146 billion. The margin of safety was therefore Le 0.08 billion. This was eroded by the general reserve of Le 0.92 billion. The margin of safety of the Bank did not take into consideration the end of service benefits liabilities which if included would have further reduced this margin of safety possibly to a negative amount.

Considering the operations of the Bank, its future plans, the nature of the industry in which it operated and the role it played for both the government and other financial institutions and the economy at large, the value of the Bank's authorized share capital of Le 100 billion of which Le50 billion was issued and paid up by the government was considered inadequate to meet its recurrent expenditure and also funding for working capital.

We also drew attention to Section10(b) of the Bank of Sierra Leone Act, 2000 which considered critical periods when the total assets of the Bank exceed the sum of its total liabilities and minimum paid up capital. In these circumstances, the Board shall notify the member who shall notwithstanding any other provision of the Act, authorize the transfer to the Bank, funds or readily marketable securities or foreign exchange for the purpose of preserving the minimum paid up capital of the Bank from impairment.

It was recommended that consideration should be given by the shareholders to increase the capital base of the Bank so as to maintain a wider and positive margin of safety when comparing total assets and the sum of total liabilities and minimum paid up capital.

Official's Response

The Governor stated that the Bank continued to dialogue with the Government on the issue of protecting the capital base of the Bank from impairment. Also, the issue of increasing the authorized capital of the Bank (from SLL100 billion to SLL250 billion) and the minimum paid up capital from SLL 50 billion to SLL 125 billion had been addressed under Sections 10 and 11 of the Revised BSL Act to be tabled in Parliament by the end of that year.

6.22.2. Non-Compliance with International Financial Reporting Standards

The Bank's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). However full compliance with these standards was not achieved as the bank was not in compliance with IAS 19 (Employee Benefits) and IAS 21 (The effects of changes in foreign exchange rates).

Official's Response

The Governor in his response stated that:

- *The service of an actuary had been contracted;*
- *Action had also been taken to open a separate account reflecting provisions made in respect of the Bank's Severance Benefit Scheme; and*

- *Section 13 Profits, losses and distributable earnings of the revised Bank of Sierra Leone Act (which has been forwarded to the Minister of Finance and Economic Development for tabling at Parliament) would address the requirement of LAS 21 once it was enacted.*

6.22.3. Financial reporting – Monitoring of systems posting and recording of financial transactions

There was the lack of adequate review, supervision and monitoring of the computation and recording of financial transactions into the accounting system. This was manifested in the numerous audit adjustments and differences being noted on the various financial statements captions, notably, fixed assets, loans and advances and prepayments. Also, the high level of accounting errors and mis-postings noted cast significant doubts on the competence of the Bank's personnel responsible for booking entries into the systems, especially errors in respect of accounting entries made by personnel outside the Accounts and Budget department. There was therefore high risk of financial statements misstatements, considering the fact that the auditor had to raise about thirty six audit adjustments in the form of audit journals.

Official's Response

The Governor noted our recommendations and stated that measures had been put in place to forestall a recurrence.

6.22.4. Non review of clearing settlements

A review of a sample of the clearing settlement forms on various dates revealed that the signature of the Manager of Banking Operations was not included on the forms as evidence of being reviewed. There was the risk that errors and omissions on daily transactions and computation differences may not be detected on a timely basis for correction. This was extremely important considering the financial value of these transactions, as irregularities may well occur leading to possible financial losses.

Official's Response

The Governor stated that the Manager Banking Operations inadvertently failed to sign the aforementioned clearing Settlement Forms after reviewing them. Action had been taken to sign the forms as that was also part of the findings of an Internal Audit report on the Banking Department. The auditors were informed that the related vouchers to these forms were always signed by the Manager and Head of Banking Operations Division as an additional control measure.

6.22.5. Incomplete records on the Sierra Rutile/Government of Sierra Leone loan

Relevant supporting documents, explanation and agreement on the Sierra Rutile/Government of Sierra Leone account, with a balance of USD 725,039.70 (Le 3,043,723,911.00), were not provided for inspection. In the absence of proper and complete records in respect of transactions, the balances on the financial statements could have been misstated.

Official's Response

The Governor maintained that Sierra Rutile had confirmed the outstanding balance of US\$727,364 in their books (whilst BSL's books showed a balance of US\$725,039) and that the difference of US\$2,325 represented interest accrued for which action would be taken to reflect it in the ledger. The Bank was currently working with Sierra Rutile and the Ministry of Finance and Economic Development to trace the relevant documentation.

6.22.6. Staff Matters

A review of the Internal Audit Reports issued during the year revealed that two investigation reports related to the activities of a Divisional Head of the General Services Department, for alleged fraudulent activities and negligence of duties and responsibilities. It was observed that he was transferred to another department, a measure the auditors considered inadequate based on evidence on the integrity

of the said officer. Management and the Board should be firmer in giving punitive measures to staff found wanting.

Official's Response

The Governor and the Board maintained that they were committed to stamp out any malpractice or acts of indiscipline as can be seen from evidence of actions taken during year 2010. With specific reference to the issue in question, they inform us that the said staff was not only transferred but was suspended for three (3) months without pay, deprived from any overseas training program, given no salary increment at the end of year, 2010 Appraisal Exercise and given a final warning on his conduct in the employment of the Bank. Any further breach could result in termination. They further went on to say that the Bank was constrained to give more punitive measures because with the controls in place it was difficult to ascertain that the staff was wholly and solely responsible for all the offences that came out of the investigations.

6.22.7. The Tokeh Resort Centre

The building structure was dilapidated with cracks on the building walls. In addition, some of the windows were broken and ceilings were not in good shape. Thus, the Bank will need to incur extra cost on refurbishment of the building before the Resort could be operational. The amount spent to date was Le 6.2 billion which has been locked up in work in progress for the past few years. As at 31st December, 2010, total amount spent was Le2.8 billion. Management should review the current status of the Resort Centre and take a positive decision on how to maximize the investment potential of the facilities at the Centre.

Official's Response

The Governor noted our observations and recommendations relating to the Bank of Sierra Leone Resource Centre at Tokeh. He stated that the Bank had commenced the process of leasing the Resource Centre during the third quarter in year 2010 in a bid to get maximum value and returns on its investment.

6.22.8. Monitoring of Community Banks

A review of correspondences between the Community Banks and Bank of Sierra Leone as well as IFAD Rescue Plan revealed the following control weaknesses in the various reports reviewed:

- a great possibility of fraud and malpractice perpetrated by management;
- Staff's salary was very low, which resulted in the recruitment of low quality and inexperienced people;
- draft accounting policy and procedures were available but there was no evidence that they had been approved and adopted;
- Most of the Community Banks were operating manually;
- In one instance, the sum of Le50 million was paid to acquire MIS software through MITAF; however, the required hardware has not yet been installed for the implementation of MIS;
- Most of the Community Banks were yet to meet the minimum paid up capital of Le80 million;
- No evidence that loans to customers were being monitored regularly;
- The banks had no working capital. It is therefore urgent that working capital is provided before the confidence of the public is completely eroded to trigger a run on the Bank. The Banks currently depend totally on depositors' funds for the financing of daily operations;
- Since inception, community banks had been facing a series of major challenges that have become threats to their existence. Most have sunk about 80% of the capital provided by the Bank of Sierra Leone on buildings, motor vehicles, furniture and fittings; and
- The Community Banks management organised frequent Board meetings, with high sitting fees and transport allowances paid to Board members which have adversely impacted on their profitability.

In the light of the challenges facing the Community Banks, it appeared the banks needed more effective monitoring and supervision by the Bank of Sierra Leone.

Official's Response

The Governor in his response stated that:

- *The Bank was working with the International Fund for Agricultural Development (IFAD) to restructure the six (6) community banks, in a bid to enhance their operational efficiency and provide training for staff, capacity building and an improved pay package.*
- *The Operations of the Banking Supervision Department, which had responsibility for the monitoring and regulation of the Community Banks, were being enhanced to execute its functions effectively.*

6.22.9. Loan agreement with the Community Banks

It was observed that the following loan agreements with the Community Banks were not signed by all parties to the agreement:

- Kabala Community Bank
- Mattru Community Bank
- Zimmi Community Bank

Official's Response

The Governor stated that :

- *The Loan Agreement and Debenture for Mattru Community Bank had not been signed by all the parties and that the debenture for Zimmi Community Bank was yet to be executed by all concerned;*
- *Efforts were being made to ensure that the parties to the said documents complete the execution process accordingly; and*
- *The debenture for Kabala Community Bank had been signed by all the parties.*

6.22.10. Repayment of interest by Community Banks

The interest due for payment on the loans granted to the Community Banks was not being repaid as agreed despite the 5 years interest free period waived for the Banks. The amount due and the Community Banks involved in the default included:

Banks	Amount Le
Yoni Community Bank	23,979,000
Marampa-Masimera Community Bank	20,118,000
Mattru Community Bank	17,478,000
SegbwemaCommunityBank	18,121,500
Zimmi Community Bank	14,071,935
Kabala Community Bank	15,296,316

Official's Response

The Governor stated that the Bank was in the process for reviewing the operations of the six Community Banks. For those that had reached operational and financial self sufficiency, action would be taken to request them to start repaying interests on the loans, whilst the loan agreements of those that were yet to attain that level would be reviewed by the management and the board and a decision taken on the way forward. In addition, the Governor stated that action had been taken to account for interest due and received from the banks.

6.22.11. Safeguard of assets in Kenema

The under-mentioned physical control lapses were observed in the Kenema Branch:

- Unserved fire extinguishers
- No fire alarm systems and smoke detectors

The CCTV cameras in the vaults and banking hall were not working. It was recommended that essential equipment should be serviced and be in good working condition, so as to guard against theft or any other perils.

Official's Response

The Governor noted our observations and recommendation and stated that the fire extinguishers had been serviced, adding that provisions had been made in the year 2011 capital budget for a functional Close Circuit Monitoring Television (CCTV), Fire Alarms and Smoke Detector security systems.

6.22.12. Fixed Assets Management

A review of the various insurance policies covering fixed assets was done by comparing the net book value to the sum insured, and it was noted that adequate insurance coverage was only provided for motor vehicles and not for the other categories of fixed assets as detailed below:

Description	Le
Total Net Book Value of fixed assets excluding motor vehicles	55,222,224,979
Total sum insured	12,701,878,500
Difference – value of uninsured assets	42,520,346,479

Official's Response

Management noted our recommendation and stated that the Bank's properties, plants and equipment should be adequately insured to mitigate any eventual risk of financial losses and assured the auditors that action was being taken in that regard.

6.22.13. Contract staff

A review of the Bank's staff strength revealed that there were a lot of staff who had been working in the Bank for the past one year on a contract basis. It was recommended that the appointment of all contract staff should be regularized if possible and effort should be made to restrict the area of operations of existing contract staff to non-sensitive functions.

Official's Response

The Governor noted the concern about fixed term appointments, and stated that action was being taken to review their positions and take corrective action accordingly. He confirmed that some of them had been with the Bank for over five years, adding that the majority of contract staff were Note Counters, some of whom had already passed the retirement age and were only filling a temporary gap, whilst the Bank was in the process of procuring a note processing machine.

6.22.14. Stock records differences

A review of stock records in the general ledger revealed that there were some stock items with nil quantity but with monetary value. It was observed that there was an item with a credit balance in the stock list. The differences could lead to overstatement or understatement of the financial statements.

Official's Response

The Governor confirmed that the audit exercise revealed that there were some stock items with nil quantities but with monetary values and that the said anomaly had been identified during the stock-take exercise conducted by the Bank. The issue was being investigated and appropriate action would be taken to regularize the records.

6.22.15. WAMA Ecowas Traveller Cheque Records

Supporting documents, for the balance of Le11,797,889 included in the WAMA Ecowas Travellers Cheques account, were not submitted for inspection.

Official's Response

The Governor stated that the account under reference was opened to reflect the ECOWAS T-cheques received on a sale/return basis. He said action has been taken to maintain a register and reflect all transactions in the register, to serve as a supporting document for the outstanding balance of Le11,797,889.

6.22.16. Information Security Policies and Procedure

Our review of the Bank's IT Policy documents revealed that the policy did not outline key areas and adequate procedures in support of the policy, as stipulated in the global compliance ISO 27001 standard on information systems security. Furthermore, no evidence of Management's approval and any further review of the policy document since its inception in 2004 was evident on the IT Policy Manual.

6.22.17. Configuration of Access Rules

No User Registration Forms were sighted for 2 staff, both Banking Officers, employed during the period under review. Unauthorized users may be granted access to the bank's business applications and network resources. Additionally, users may be granted incompatible privileges to mission critical systems hence undermining information security. It was recommended that management should review the profiles of users on the Network and ensure that the privileges granted are based on a business need. Additionally, users should only be granted access to network resources and business applications via the standard user creation form.

6.22.18. Monitoring and Risk Assessment Activities

A review of reports provided by the Internal Audit Department revealed that there was no evidence of the assessment of the integrity of the banking database using CAAT via ACL as well as review of system logs/audit trail to identify activities of users on the network and banking applications. Monitoring activities of IT should be enhanced by the Internal Audit function. This can be achieved by the regular use of the ACL a CAAT tool in the Bank's Internal Audit function as well as Management having adequate personnel with requisite knowledge in IT audit and experience to perform the function.

6.22.19. Disaster recovery plan and business continuity plan

The IT Contingency/Disaster Recovery Plan (DRP) was not approved by management and also a Business Impact Analysis not undertaken which should detail the critical business functions and assets, and impact assessment of an unforeseen event such as in the event of a fire and consequences of losing such critical business functions. Furthermore, it was observed that a comprehensive and well detailed test of the IT Contingency/Disaster Recovery Plan (DRP) was not undertaken during the period under review. It is vital that a complete Disaster Recovery Plan and a Business Continuity Plan are put in place for the recovery of the Bank's core systems in the event of disaster.

6.22.20. Manual Record and Processing on Investments

It was observed that Management was in the process of undertaking the West African Monetary payment system (WAMZ) to foster inter/intra Banking Operations consequently requiring automation

of the banking activities. This project was in its early stages. However, we observed that some key processes/transactions of the Bank were processed manually i.e. transactions were handwritten in ledgers before they were later captured into the financial reporting application. That was particularly so with investment (i.e. treasury bearer bonds) wherein investments and disinvestments in treasury bearer bonds by individual customers were recorded handwritten in a ledger. It was recommended that in the interim (i.e. until the completion of the WAMZ project), all process within the Bank should be automated with at least MS EXCEL worksheet. Process owners should also implement a logical security on the worksheets by implementing a password security.

6.23. Rokel Commercial Bank (2010)

6.23.1. Capital Adequacy Ratio

The Bank recorded a Capital Adequacy Ratio of 15.04%. (The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base). In accordance with section 8 (1) of the Banking Act, 2000 the Bank was supposed to maintain a minimum ratio of 15%.

Official's Response

The Finance Director noted the auditor's comments and mentioned that everything was being done to improve on the position. Some former employees instituted legal action against the Bank claiming damages for unlawful dismissal, in respect of which judgement had been given in their favour in the High Court. Guided by expert advice, the Directors of the Bank requested the solicitors to file an appeal against the judgement. Consequent upon the foregoing, no provision was made in the financial statements for this contingent liability as at 31 December, 2010. The Finance Director advised that an appeal had been lodged and a stay of action granted subject to certain conditions which had been fulfilled by the Bank. He confirmed that the matter would be reviewed by the Appeal Court and that he was optimistic about the outcome. In the meantime, he stated that he would continue to monitor the position and adhere to legal advice.

6.24. Sierra Leone Commercial Bank Ltd. (2010)

6.24.1. Review of 2009 Management Letter

There was non-compliance with banking regulations. Also loans and advances classification had not been addressed as at the report date. It was therefore recommended that timely consideration should be given to matters raised by auditors, and that the matters noted should be addressed promptly.

Official's Response

The Managing Director in his response stated that the non compliance with bank regulations which related to instances of breach in the 'cash ratio' had been largely resolved given the significant reduction in the number of breaches to only one (1) in the entire 2010. He further stated that practical challenges in cash management vis-a-vis their dealings with Central Bank made it extremely difficult for the bank not to be found wanting. On the issue of advance classification, he stated that that was a continuous process receiving management's attention given their periodic review of the lending portfolio. While greater focus was placed on classification of large exposures over the last three years, the small lendings which were the subject of query by the auditors were also given due attention always, he mentioned. In concluding he noted that the position of those accounts would be regularised shortly.

6.24.2. Non-Compliance with Banking Regulations – Liquidity Breaches

Central Bank's penalties amounting to Le39.2 million, levied on the bank, were still high in respect of liquidity breaches of banking regulations. It was recommended that the bank should be operating within the legal framework that provide rules and regulations which it needed to comply with. It was also recommended that rules and regulations should be adhered to, to avoid or reduce penalties significantly.

Official's Response

The Managing Director in his reply mentioned that the fine which related to breaches in both the cash ratio and large credit exposures showed a marked improvement over the last report. He said that the bank continued to face challenges such as delays in the receipt of statement from Bank of Sierra Leone which hindered accurate intra-day cash management of the bank and with regard to the fines relating to breach in credit exposures limits, he said that the related accounts had been regularized and the entire loan portfolio had being monitored to avoid recurrence.

6.24.3. Review of Recurrent Budgets

Differences were observed between the budget and the operating profit and loss for 2010.

Description	Budget Le '000	Actual Le '000	Variance Le '000	Variance %
Motor Running costs	619,164	698,807	(79,643)	(12.9)
General Administrative Expenses	3,393,932	4,156,974	(763,042)	(22.5)
Information Technology cost	2,558,586	3,012,461	(453,875)	(17.7)
Sundry expenses	32,370	156,373	(124,003)	(383)
Repairs and maintenance	672,790	904,814	(232,024)	(34.5)

It was recommended that the budget prepared should reflect the operations of the Bank and motivate or challenge managers in achieving their budget. In addition, a detailed investigation should be done on the adverse variances and evidence of action taken must be documented and filed.

Official's Response

The Managing Director explained that the adverse variances were as a direct result of the impacts of the Goods and Services Tax (GST). He added that when the budget was designed in 2009, the bank was expected to reclaim GST on goods and services purchased but this was not the case as NRA restricted banks from claiming input GST resulting to huge taxes being paid in respect of GST of close to Le1bn. This he said, resulted in increased expenses in many areas.

6.24.4. Loans and Advances

Customers' current loan balances exceeded their approved loan limits. See examples below:

Customer	Current balance Le '000	Approved Limit Le '000	Excess Le '000
Mace construction	1,517,357	650,000	867,357
Bako Enterprises	702,810	120,000	582,810
RIME Engineering	1,338,095	1,014,948	323,147
Danish Enterprises	754,230	550,000	204,230
Sierra Fishing Company	4,926,399	4,050,467	875,932
Dr Ivan Reff-Wyse	511,997	350,000	161,997

It was recommended that the risk department should constantly monitor customers advance and loan balances in order to avoid approved limits being exceeded.

Official's Response

The Managing Director responded by giving the status on the above - mentioned Loan transactions:

Mace Construction - Facility Liability Nil Le 730,927,114

Account was under special assets for which full provision had been made, while we continue to chase through the solicitors for settlement of the debt. The bank has already issued notice of intention to sell the legal mortgage property.

Bakor Construction - Facility Liability Nil 1,000

This debt was already written down given the paucity of the amount being wholly interest charges.

Rime Engineering - Facility Liability Temp. O/D limit Le300M Bank Guarantee Le 1,169,192,323.49

Facilities in this name were mainly contingent liabilities and a temporal overdraft limit of Le300m. All contingent liabilities had their respective approvals and the positions reported to the board accordingly. The current account position as at 31st December, 2010 was Le936,548,928.82cr.

Danisha Enterprises - Facility Liability O/D limit Le150,000,000 – Balance Le 354,229,616.87dr Loan – Le 266,666,000

The excess overdraft which was duly authorized by Head office was to pre-finance major contracts in Kenema and Port Loko valued over Le2bn. Execution of contracts was well advanced with over 70% completion achieved and we await lump sum payments from the employers.

Sierra Fishing Company Limited - Facility Liability O/D Le 4,926,399,413.96dr

The expired overdraft had been duly advised to the board while management continued to engage customers on part settlement and renewal of the overdraft limit given the need to support the business. In the meantime, customers were making regular lump sum deposits of Le50m monthly towards reduction of the overdraft and the bank was working to renew a lower limit at a later date. They mentioned that customers had approached Econvas Bank for infrastructure

development (EBID) for a long-term loan of about US\$4M to mainly refinance their liabilities with them(client) and other banks.

Dr. Ivan Reffel-Wyse - Facility Liability O/D Le511,996,926.11 dr

Overdraft limit expired and loans were repaid at the expense of the current account.

6.24.5. Loans and Advances Classification

Some loans and advances were misclassified for the year under review. See below:

Account Name	Amount (Le)	SLCB Classification	PKF Classification
Gertude Gbassey Karimu	61,262,020	OLEM	Loss
Int. Technology transfer	37,360,062	OLEM	Loss
Mukta store	41,556,959	OLEM	Loss
Dr Moses O. M. Sesay	54,198,529	Sub-Standard	Loss
German Medical Enterprises	62,688,363	Sub-Standard	Loss
Indigenous construction	46,844,758	Doubtful	Loss
Mohamed Bassey Bangura	48,922,272	Doubtful	Loss
Sulico Int. Company	58,510,859	Doubtful	Loss
Adebayo Johnson	71,874,000	Doubtful	Loss
Wan Pikin Enterprises	83,404,000	Doubtful	Loss
Abdulai Bah	79,488,000	Doubtful	Loss
United Brethren Construction	66,140,394	Doubtful	Loss

Monthly review of all advances should be carried out so that classification and impairment provisions would be done correctly.

Official's Response

The Director General in his reply explained that the debt of Le61,262,020 in favour of GertudeGbasseyKarimu had been compromised and repayment had also commenced. He mentioned that the debtor had given her firm commitment to ensure full settlement as against February 2012 and that the rest of the other debtors had been referred to their solicitors who were pursuing vigorously for recovery of the relative debts.

6.24.6. Cash and Bank Balances

A significant difference of USD6,785 cash balance was noticed at the year-end for Mobimbi branch. It was recommended that the differences between the cash count balances and the general ledger should be investigated and reconciled.

Official's Response

The Director General stated that the difference was as a result of a posting error which had been duly investigated and resolved.

6.24.7. Inventory

Variances relating to the acquisition of stores items were observed in the Stores Department records, from 1st October, 2010 to 31st December, 2010. It was recommended that monthly reconciliations should be done to ascertain the accuracy of inventory.

Official's Response

The Director General stated that reconciliation of those items were done regularly, but unfortunately the list of purchased items provided from the current stock software to the auditors was flawed as a result of technical problems with the software which had subsequently been resolved.

6.25. Sierra Leone Stock Exchange Company Limited (2008 – 2010)

6.25.1. Procurement

In some instances, procurement procedures were not followed in the purchases of assets. Assets, totalling Le 154,118,000 were procured without due regard to competitive bidding from at least three suppliers. It was therefore recommended that all purchases by the Sierra Leone Stock Exchange Company Limited should be based on Competitive bidding.

Official's response

The Director General noted the recommendation and promised to adhere to the procurement Act in all future procurements.

6.25.2. Accounting Manual

The office did not have an accounting manual incorporating all financial rules and regulations as an aide and guide to the finance function in the execution of its operations. It was recommended that an Accounting Manual should be introduced to assist and guide the finance functionaries in the performance of their duties.

Official's Response

The Director General stated that the request for an appropriate accounting software and manual was currently in progress.

6.25.3. Conditions of Service and Employee Personal File

It was noted that staff Conditions of Service were non-existent. In addition, some relevant documents such as Curriculum vitas, certificates were missing from the files. Furthermore, provision of medical service was stated in the Appointment letters of staff at the Company but that service was not provided to the staff.

Official's Response

The Director General explained that staff conditions of service were under review and appropriate action would be taken to improve the current conditions of service.

6.25.4. Fixed Assets

The Company did not have a capitalization policy and a maintenance policy was not in place for the repair and maintenance of Fixed Assets, such as computer hardware, vehicles, etc. to prolong their useful life. It was recommended that maintenance and capitalization policies should be formulated and included in the accounting manual.

Official's Response

The Director General stated in his response that the review of the organisation's capitalisation and maintenance policies was in progress.

6.25.5. Cash and Bank

For 2009 and 2010, monthly bank reconciliation statements were not reviewed and approved.

It was also observed that there was an amount of Le 6,000,000 which had been outstanding at the Bank of Sierra Leone account reconciliation since August, 2010. Furthermore, the Company did not institute a petty cash limit and as such items such as toners and cartridges were bought through petty cash. It was therefore recommended that, in future, the Bank Reconciliation Statements should be checked, signed and approved by responsible officials. In addition, a limit should be established as a policy for the disbursement of petty cash, to be revised when necessary. Furthermore the outstanding reconciling item in the Bank of Sierra Leone account reconciliation should be investigated and cleared.

Official's Response

The Director General noted the recommendation and promised to investigate the issue of the Le6 million.

6.25.6. File Management System

Documents relating to the Company's activities were not properly filed, making it difficult to trace supporting documents to activities in the financial statements. It was recommended that, in future, payment vouchers and supporting documents should be filed by subhead, date or payment voucher number so that documents relating to particular activities would be easily identified. In addition, the Company should ensure that all files were systematically and chronologically kept and properly referenced.

Official's Response

The Director General stated that the current filing system was under review and management would incorporate the ASSL's recommendation in the implementation process.

6.25.7. Withholding Tax

It was observed that withholding tax amounting to Le 10,480,150 was not deducted from suppliers' payments for goods and services for the period under review. It was therefore recommended that complete and accurate calculations of withholding tax should be recovered from suppliers and paid on time to the NRA.

Official's Response

In his response, the Director General stated that he had taken appropriate action and that all future transactions would have the appropriate withholding tax applied.

6.25.8. Overseas Tour

We observed that the sum of \$1,000 was paid for a study tour for the Director General in 2009; however, further investigations revealed that the Director General did not attend and we were not given a reasonable explanation why he did not attend. It is therefore recommended that proper planning should be done before monies were paid for activities such as training, study tours, etc.

Official's Response

The Director General noted ASSL's recommendation and promised taking appropriate action in future to avoid a repetition.

6.26. National Electoral Commission (2006)**6.26.1. Review of Bank Reconciliation Statement**

Bank reconciliation Statements were not reviewed by an appropriate official of the National Electoral Commission to certify that they were true and correct. It was recommended that bank reconciliations should be reviewed by an appropriate official of the National Electoral Commission and the evidence of such review should be indicated on the reconciliation statement.

Official's Response

The Commission noted the audit recommendation and explained that reviews of Bank reconciliation statements were being carried out on a monthly basis by an appropriate official.

6.26.2. PAYE

Tax deduction by the Commission was understated by the sum of Le 8,528,183. This was due to the fact that the tax threshold used for middle management and junior staff was incorrect. It was recommended that the Commission should calculate Pay-As-You-Earn Tax in accordance with the provisions in the Income Tax Act, 2000. In addition, steps should therefore be taken to make payment to the NRA for the understated amount.

Official's Response

The Commissioner noted the audit findings and explained that the differences were as a result of using an obsolete tax threshold scheme. She however stated that appropriate actions would be taken to effect the payment of the understated amount to the National Revenue Authority.

6.26.3. Poor Filing System

Documents relating to the Commission's activities were not properly filed i.e. they were not filed according to activities and payment voucher sequence, making it difficult to trace supporting documents to activities in the Financial Statements. It was recommended that, in future, Payment Vouchers and supporting documents should be filed by subhead, date or Payment Voucher number, so that documents relating to particular activities could be easily identified. It was also recommended that the Commission should ensure that all files must be systematically and chronologically kept and properly referenced.

Official's Response

The Commissioner stated that written procedures would be developed in respect of the filing system of the Commission. She also mentioned that filing would be done using the "payment voucher number" method and efforts would be made to cross reference account sub-heads to payment voucher number in the filing system.

6.26.4. Fixed Assets

Some of the assets of the Commission did not have any identification number. In addition, some of the assets, especially those in the provinces, were not in good working condition. It was therefore recommended that all assets must be clearly marked with identification numbers consistent with previous assets. In addition, verification exercises should be conducted regularly to reconcile the Fixed Assets Register with the assets in existence. Also assets not in good working order must be maintenance, or, if unserviceable, should be properly disposed of and removed from the Fixed Assets Register.

Official's Response

The Commissioner explained that the Commission did verification exercises periodically during which all assets were adequately tagged; also assets not in good working condition were identified for appropriate maintenance or measures of disposal.

6.27. Sierra Leone Anti-Corruption Commission (2009)

6.27.1. Headquarters

6.27.1.1. Internal Audit Unit

The Internal Audit Department lacked the necessary manpower to carry out its work effectively. Actions on the Internal Audit reports had generally been slow to come, if at all. There were no responses to the issues raised from the Departments concerned. The Audit Committee was not fully constituted during the period under review. It was also evidenced during a review of the Audit Committee file that the committee only met once during the period under review. The Committee also did not provide adequate oversight function to the Internal Auditor.

It was therefore recommended that the membership of the Audit Committee must be normalized. Furthermore, the Audit Committee should meet regularly to discuss and review issues raised by the Internal Auditor.

Official's Response

The Commissioner, in his reply, stated that the Commission was pleased to report that necessary action had been taken to promptly address queries/issues raised by the Internal Auditor during the course of the period under review. He mentioned that on the matter of recruitment of additional staff to boost the manpower in the Internal Audit Unit, plans were underway to engage additional staff in order to enable the Unit carry out its work more effectively. He added that a vacancy announcement had been prepared on that note.

On issues relating to the Audit Committee, the Commissioner stated that the Audit Committee had been reconstituted and had also been requested to immediately call a meeting to map the way forward in ensuring that adequate oversight function was provided to the Internal Audit Unit.

6.27.2. Procurement Committee

The Procurement Committee was not involved in all procurement contracts entered into by the Commission during the year under review. Examples of such circumstances were the purchase of six Land Rover engines costing Le 132,510,505 and the contract for the construction of the sub-office at Kenema. It was therefore recommended that the Procurement Committee should be involved in the administration and monitoring of all contracts undertaken by the Commission except in circumstances where the amount involved was below the threshold set by the National Public Procurement Act, 2004.

Official's Response

The Commissioner in his reply stated that:

The procurement Committee had and continued to be fully engaged in procurement processes.

There was sufficient evidence to confirm that and minutes of all procurement meetings provided supporting evidence to confirm same;

The Commission, guided by the relevant provisions of the Public Procurement Act 2004 in particular paragraph 46(b), decided to sole source the purchase of the six land rover engines since it was considered as parts for existing goods;

The engines were not available for sale in spare parts stores locally; and

While noting the observations in respect of the procurement of services for the construction of the Kenema office, the Commissioner stated that the process started in November, 2009 and continued up to the first quarter of 2010. Signed minutes of the Procurement Committee meeting of 5th July, 2010, provided sufficient evidence of the involvement of the Procurement Committee in the process.

6.27.3. Accounting Manual

The Commission did not have an approved Accounting Manual incorporating all financial rules and regulations as an aide and guide to the finance function, in the execution of its operations. It was recommended that the Accounting Manual should be finalized and approved to assist and guide the finance functionaries in the performance of their duties.

Official's Response

The Commissioner explained, in his reply, that the commission was in the process of reviewing the draft accounting manual put together by the consultant contracted to undertake that activity. He added that it was hoped that the final and approved accounting manual would be available shortly.

6.27.4. National Anti-Corruption Strategy

Top-up salaries intended for staff at the Secretariat to the tune of \$40,800 were not paid to those staff. Instead the monies were transferred from the Commission's project account at Access Bank to the Commission's salary account at the Sierra Leone Commercial Bank, and utilized as general staff salaries. However, returns sent to the donors indicated that such monies were paid to staff at the Secretariat, thereby misinforming the donors. The appointment of the NACS Director from the position of Senior Officer to that of Director was not done in accordance with the Commission's conditions of service. Funds provided for training of staff at the Secretariat were not properly utilized as only the NACS Director attended such trainings. This was in contravention of the Memorandum of Understanding signed by the Commission and the United Nations Peace Building Fund. It was therefore recommended that all outstanding top-up salaries should be paid to the staff at the Secretariat, as stipulated in the Memorandum of Understanding. In addition, the appointment of the NACS Director must be properly looked into and necessary action taken to regularize the anomaly. Furthermore the Commission should ensure that all unused funds should be remitted to the donors as stated in the Memorandum of Understanding.

Official's Response

The Commissioner noted the Audit observations and recommendations regarding the non-payment of top-up salaries to staff of the Secretariat. He highlighted below a synopsis of the transactional relationship in respect of some and the conclusive position of the Commission:-

At a management meeting/briefing sometime in the first half of 2008, the erstwhile Commissioner Mr. Abdul Tejan-Cole raised the issue of re-establishing a NACS secretariat. Consequently, on July 2008, a Senior Prevention Officer was promoted to the position of NACS Director. Further, a NACS Manager and Officer were appointed in October, 2008 and April, 2009, respectively.

That a budgetary provision of US\$40,800 (forty thousand eight hundred United States Dollars) for top-up salary for NACS staff was included in the budget of a project proposal titled 'Support to capacity building and programmes – NACS Secretariat' approved by the UN and funded under the Peace Building Fund (PBF);

That a letter dated 9th October, 2008, addressed to the Donor Agency, United Nations Development Program (UNDP), former Commissioner Tejan-Cole said that the Commission had an approved salary scale that was in accordance with the top-ups. He further stated, that it would be a breach of the conditions of service to disrupt the salary scale and that the Commission which must lead by example should not set the wrong precedent;

To that end, he was inclined to agree with his learned friend Tejan-Cole's proposition. It made logical sense to maintain the salary balance, rather than choose to make payment of top-ups to one unit of the Commission, exclusive of the others. A contrary position would have yielded disequilibrium in the salary structure, undermined staff morale, and more importantly set a dangerous precedent;

The said monies which amounted to the equivalent Le117,458,000 (one hundred and seventeen million four hundred and fifty eight thousand Leones) were transferred from the NACS project bank account held at Access Bank (SL) Limited, to the Commission's bank account held at the Sierra Leone Commercial Bank Limited, to augment the GoSL subvention for the payment of general staff salaries and allowances; and

The said monies were applied to make good the deficit in the salary allocation arising from the non-budgetary provision for the recruitment of the NACS Manage, Officer and inclusive of the promotion/appointment of the Senior Prevention Officer to that of NACS Director. (The referenced letter, together with the bank statements and record of disbursement, could be reviewed upon request).

On the issue of the appointment of the Director, the Commissioner stated that one should note that Promotional appointments were not an uncommon practice in the Commission, and it was one of their objectives in their policy on promotion and transfer for career mobility opportunities should be offered among the existing staff of ACC. The appointment of the Director was a promotional appointment in line with paragraph 6.1.4 of the Terms and Conditions of Service of the Commission. He also noted the observation on training for staff of the NACS Secretariat as beneficially targeting only the Director of NACS. He asked ASSL to note that at the time of implementing the Peace Building Fund (PBF) project, the strategic thinking was for the Director, some members of the Steering Committee and the Deputy Commissioner who were part of the NACS Coordination architecture to proceed on study tour visits to other countries where a National Anti-Corruption Strategy was implemented so as to guide the implementation process. In addition, he mentioned that the other staff of the Secretariat including the NACS Coordinating Manager, Officer and Assistant were not disadvantaged from that decision and had all benefited from training abroad and the country, from other funds provided by the Commission, in line with the Commission's Human Resource Training Plan.

6.27.5. Regional Offices

6.27.5.1. Bo

There was a limited number of staff at this office to cover four districts. The Bo office did not have a proper running generator and air conditioner such that the manager had to bring his personal generator, refrigerator and electric fan to the office. The photocopier was also not in working condition. The internal and external conditions of the building had deteriorated and needed renovation. Requisitions of stationery from head office took a long time before delivery was made.

6.27.5.2. Makeni

The Makeni office did not have a proper running generator. There was a limited number of staff to cover five districts. The office had one security who worked on both shifts.

Official's Response

The Commissioner explained that Staff had been recruited for the Bo office, a 10KVA generator had been provided, all with a view to improving the modus operandi for the management of that regional office. He added that the threshold in respect of available cash for the running of regional offices had been increased thus, eliminating the undue delays in cash transfers to service routine expenses.

He further stated that the office generator in Makeni had been repaired and now provided adequate power for running the office. Steps had been taken to improve staff numbers in the regional offices in general, including the Makeni office, the Commissioner further explained. In conclusion, he mentioned that the services of the Sierra Leone Police had been sought and additional night armed guards had been provided for the office.

6.27.5.3. Stores

No proper store ledger was maintained. Stores records were not reconciled with physical items during the year under review. The Admin/Procurement manager did not conduct any inspection on stores during the year under review.

6.28. National Telecommunications Commission (2009)

6.28.1. Fixed Assets

The National Telecommunications Commission did not maintain a Fixed Assets Register. It was also noted that some of the assets on the premises did not have identification marks.

It was recommended that a properly designed fixed assets register should be maintained and must be regularly updated to record any movement by way of addition to, or disposal from the Fixed Assets Register at any point in time. In addition, all assets must be clearly marked with identification numbers consistent with previous assets.

Official's Response

The Commissioner stated that modalities had been put in place to prepare a proper Fixed Assets Register and the process of tagging assets of the Commission was an on-going activity, he added.

6.28.2. Unsupported Payments

Some Payment Vouchers, totalling Le57,337,080 were without adequate supporting documentation. It was recommended that management should ensure that expenditure incurred should be backed by adequate supporting documents such as payment vouchers, invoices, receipts, etc.

Official Response

The Commissioner stated, in his reply, that most of the supporting documents had been retrieved and were available for inspection.

It was however noted that supporting documents, to the tune of Le 5,900,000 were still not backed by adequate documentations. Details are below:

<i>Date</i>	<i>Cheque No.</i>	<i>Description</i>	<i>Le</i>
25/03/09	539281	Thoeophilus Thomas- Soil, Flower, fertilizer and labour	1,900,000
08/04/09	539344	Foday - per diem for Parliamentarians	3,000,000
06/05/09	539456	Mariama – refund to Bashir Kamara on expense to police visit	1,000,000
TOTAL			5,900,000

6.28.3. Debtors

A Debtors' Analysis Schedule was not maintained for all debtors and the Commission failed to send reminders in the form of statements to all its trade receivables and make follow-up on trade clients to settle their obligations.

It was therefore recommended that an aged debtors' analysis schedule should be maintained for all debtors. Moreover, at a particular time say on a monthly/quarterly basis, the Commission should send

reminders in the form of statements to all its trade receivables and make follow up on trade client to settle their obligations. Furthermore, provision should be made for all doubtful debts.

Official's Response

The Commissioner replied that an aged debtors' analysis would be maintained for all debtors. He also mentioned that Debtors accounts would be reconciled on periodic basis and provision for doubtful debts brought into the books, if any such case arose.

6.29. Independent Media Commission (2008 and 2009)

6.29.1. Cash and Bank

It was observed:

- Amounts totalling Le 5,050,000 were not banked in 2008;
- Cash and cheques received from clients in 2009 were not banked on a weekly basis as stipulated in the Accounting Manual;
- Bank Reconciliation Statements were not prepared for the months of April 2008 and December 2008;
- Bank reconciliations were not prepared for the dollar account for the period under review;
- There was the existence of a pending reconciling item with respect to a cheque 956216 issued on 31 of July, 2009; and
- The Commission did not maintain a standard cash book for the period under review.

The following were therefore recommended:

- Cash and cheques received should be banked promptly to prevent the loss or theft of cash;
- Bank Reconciliation should be prepared each month and reviewed by a Senior Officer; and evidence of such review must be indicated on the Reconciliation Statement; and
- A standard cashbook should be maintained, analysed into various expense and receipt headings.

Official's Response

The Commissioner in his response stated the following:

- *Le5,050,000 (five million and fifty thousand Leones) was a contribution from the then Celltel Company to IMC for Celtel/IMC Annual Media Awards as honorarium for judges – as soon as the cheque was received it was re-cashed and paid out to the respective judges without paying it to the Bank. The receipts were available for inspection.*
- *Steps had been taken to regularize late banking.*
- *Reconciliation statements for April, 2008 and December, 2008 were available for inspection.*
- *The dollar amount had been stagnant for some time, resulting in an oversight for reconciliation; however that was being done as advised.*
- *Cheque No 95621 for Le 150,000 issued on 31 of July, 2009 was cheque issued to Mr. Mohamed Sillah, security Officer Bo. However, for unknown reasons the cheque had not yet been cashed by Mohamed Sillah. The Accounts Section would continue its investigation.*
- *The Commission had put in place since 2009 a standard cash book which could be inspected by auditors at any time.*

In spite of the fact that the Commissioner stated in his response that Reconciliation Statements for April, 2008 and December, 2008 were now available for inspection, those documents were never submitted for verification.

6.29.2. Receivables

A Debtors' Analysis Schedule was not maintained for all debtors and the Commission failed to send reminders in the form of statements to all its trade receivables and make follow-up on trade clients to settle their obligations. Provision was not made in respect of possible irrecoverable debts by the Commission.

It was therefore recommended that an aged debtors' analysis schedule should be maintained for all debtors and that the Commission was expected to send reminders in the form of statements to all its trade receivables and make follow-up on trade clients to settle their obligations.

Official's Response

The Commissioner stated, in his reply, that mechanisms had been put in place to maintain an aged debtors' analysis, and invoices were being issued out to debtors with persistent reminders. He added that the area of confirming the accuracy of the amount owed by each of their debtors was now being done and the Board had decided to withdraw its registration license from debtors as a way of getting them to pay.

6.29.3. Unsupported Payments

In 2008, out of total payments of Le50, 425,000 supporting documents were only available for payments, totalling Le 15,980,000 leaving an outstanding balance of Le 34,445,000 without supporting documents. It was therefore recommended that PVs and Requisitions should be appropriately authorized and approved. In addition, expenditure incurred should be backed by adequate supporting documents by way of PVs, invoices, receipts, etc. and differences between the Financial Statement and schedule must be investigated and action taken to correct figures in the Financial Statement.

Official's Response

In his response, the Commissioner mentioned the following:

In 2008 the current Executive Secretary and Chief Accountant were not in post. The situation had been regularized as all financial transactions by the Commission were approved by the Chairperson. According to records, out of the total of Le 4,997,700 only Le 595,300 was not approved. The Commission was unable to respond as the vouchers submitted for 2009 had not been returned by the Auditors. Out of Le 50,425,000 supporting documents were available for Le15,980,000. The Commission noted the variance totalling Le 1,419,000 in 2008 and Le 7,628,000 in 2009. Investigations were on going to rectify the financial statements. The Commission was investigating the anomaly for Le19,796,387 with a view to rectifying the financial statements.

Out of the disbursement of Le 4,997,700 that were stated as "not been approved", only Le 595,300 were actually not approved. In addition all vouchers requested by auditors during the audit exercise were duly signed for and were returned to the accounts clerk at the end of the exercise. Moreover Management made available supporting documents totalling Le 15,980,000 for audit inspection and they were found to be adequate. However, PVs to the tune of Le 34, 445,000 were without supporting documents.

6.29.4. Withholding Tax

Withholding Taxes were not deducted from suppliers' payment for goods and services and paid over to the NRA. It was recommended that a complete and accurate calculation of withholding tax be made, the full amount paid on time to the NRA and steps taken to recover outstanding amounts from suppliers affected.

Official's Response

The Commissioner stated that he had noted the recommendations and promised that action would be taken to recover the Withholding Tax.

6.29.5. Fixed Assets

The Fixed Assets Register was not properly maintained to reflect the location of assets. This resulted in assets being found in locations different from the ones stated in the Assets Register. Fixed Assets at the Bo Office were not marked. It was therefore recommended that the Fixed Assets Register should be regularly updated to record any movement of assets and all assets must be clearly marked with identification numbers.

Official's Response

The Commissioner in his reply noted the recommendation and stated that action had been taken to rectify it. He also mentioned that the fixed assets had been properly marked at the Bo office.

6.29.6. Payroll

Pay-As-You-Earn (PAYE) was incorrectly computed for the period under review resulting in a difference of Le3,234,687 in calculations. The personal file of a former Executive Secretary was also not presented for audit inspection. It was recommended that payroll calculations for 2008 and 2009 should be rechecked, reasons for variance ascertained and corrective action taken to ensure that the payroll costs stated in the Financial Statements were accurately recorded. In addition, PAYE deduction computations should be done accurately and paid to the NRA and proper disclosure made in the financial statement and all information must be kept for all employees and regularly updated to reflect changing circumstances.

Official's Response

The Commissioner admitted, in his response, that pay-as-your-earn (PAYE) was incorrectly computed for the period under review and that action was being taken to rectify the situation. In addition, the Commissioner mentioned that the personal file of a former Executive Secretary was still being searched for and as soon as it was found it would be made available for inspection.

6.30. Human Rights of Sierra Leone (2008 and 2009)**6.30.1. Cash and Bank**

Major weaknesses were noted in the management of cash and bank balances. An Annual Cash Count was not carried out by the Commission. The opening balance for 2008 could not be verified as reconciliation was not done for 2007. In March 2008, the credit column of the cash book was overstated by Le16,040,950. In February 2008, the credit balance in the cashbook was incorrectly carried forward as a debit balance. Cheques which were issued on the 13th of March, 2008 were reported to have been cancelled and reversed. However, further audit examination revealed that those cheques were honoured by the bank on March 17th and 28th, 2008. Stale cheques in 2008 totalling Le11,794,215 were not cleared.

It was therefore recommended that a cash count must be done at the end of each financial year to ensure that cash balances were truly reflected in the financial statement of the Human Rights Commission of Sierra Leone. It was also recommended that the amounts mentioned be investigated and steps taken to correct entries in the cash book. A proper reconciliation should be carried out and all stale cheques re-written.

Official's Response

The Commissioner in his reply stated that a cash count would be done at the end of each year and a certificate prepared accordingly. He further said that the amounts were being investigated and necessary steps would be taken to correct entries.

6.30.2. Poor file management

Documents relating to the Commission's activities were not properly filed i.e. they were not filed according to activities and payment voucher sequence, making it difficult to trace supporting documents to activities in the financial statements. It was therefore recommended that, in future, payment vouchers and supporting documents should be filed by subhead, date or payment voucher number, so that documents relating to particular activities could be easily identified. It was recommended further that, the Commission should ensure that all files were systematically and chronologically kept and properly referenced.

Official's Response

The Commissioner stated, in his response, that the recommendation made on the system of filing would be adopted.

6.30.3. Payment Vouchers and Supporting Documents

Payment Vouchers (PVs) were not consistently used for various transactions. The sum of Le322,305,842 in 2008 and Le449,797,946 in 2009 were not supported by PVs. It was also noted that a majority of PVs were not authorised and approved by a senior official. Disbursement of funds, to the tune of Le289,086,532 in 2008 and Le310,603,351 in 2009, were not backed by supporting documents. In addition, procurement procedures were most times not followed when contracting suppliers for goods and services.

It was therefore recommended that payment vouchers must be prepared when funds were disbursed and all payment vouchers should be authorised and approved by a senior official before funds were disbursed. In addition, expenditure incurred should be backed by adequate supporting documents by way of payment vouchers, invoices, receipts, etc;

Furthermore serially pre-numbered standard requisitions should be maintained, and when contracting suppliers for goods and services pro-forma invoices must be obtained from a minimum of three suppliers when goods and services are acquired.

Official Response

In his reply, the Commissioner stated that in the area of request for payment the document used at that time was considered a payment voucher but however confirmed that proper authorization and approvals were subsequently done by senior officials before disbursements were made. He also stated that the Accountant General required them to send all supporting documents with their returns but unfortunately copies of the supporting documents were not retained and that had been corrected. He further mentioned that it was their usual practice to secure three pro-forma invoices for procurement of goods and services, except where sole sourcing was adopted. He however maintained that procurement procedures would be followed.

In spite of the comments made by the Commissioner, it was still observed that out of the amounts stated above, Payment Vouchers, to the tune of Le 26,863,500 for 2008 and Le27,063,200 for 2009, were still not supported by adequate documentations.

6.30.4. Withholding Tax

Withholding taxes, totalling Le2,655,689 for 2008 and Le4,595,208 for 2009, were not deducted from suppliers' payments for goods and services and paid over to the NRA.

It was recommended that a complete and accurate calculation of withholding tax be done with the full amount paid on time to the NRA and steps taken to recover such amounts from suppliers affected.

Official's Response

The Commissioner noted the recommendations and mentioned that a system had been put in place in respect of withholding tax for the regular deduction and payment to the NRA.

6.30.5. Payroll

Staff Cost was overstated by Le 2,909,898 for 2008. It was also noted that 10% was deducted from the earnings of some staff instead of 5% as their employee NASSIT contribution for February and March 2008 thus resulting in overpayment of Le 630,500. Top-up Allowances from Donors were not included as a Payroll item for tax deduction and the Personal Files of Commissioners were not updated. It was therefore recommended that payroll calculations for 2008 should be rechecked, reasons for the variance ascertained and corrective action taken to ensure an accurate record of the payroll cost stated in the account. In addition, PAYE on allowances from Donors should be deducted and paid to the National Revenue Authority and a proper disclosure made in the financial statement. Furthermore, all information must be kept for all employees and regularly updated to reflect changing circumstances and the provisions in the NASSIT Act, 2001 should be applied consistently to all staff of the commission.

Official's Response

The Commissioner in his reply stated that the non-deduction of PAYE on top-up received from donors was inadvertent and that the Commission was unaware that payment attracted PAYE. He further mentioned that he had started deducting PAYE on all salaries paid and that staff affected by the payroll inaccuracies in 2008 had left the Commission.

6.31. National Commission for Privatisation (2010)

6.31.1. Matters Previously Reported

6.31.1.1. Remuneration and Expenses of Members of the Commission

Even though Section 7 of National Commission for Privatisation Act, 2002 provided that “the Chairman and other members should be paid such remunerations and allowances as the President may determine and should be reimbursed by the Commission, for expenses incurred in connection with the discharge of their function”, the President had not determined these remunerations and allowances. It was recommended that remuneration and allowances paid to the Chairman and other members of the Commission should be ratified by the President. Alternatively, the Commission should consider amending the act in order to rectify this issue.

Official's Response

The Commissioner in his response stated that the President, His Excellency Ernest Bai Koroma, appointed the Chairman and the other Commissioners who were approved by Members of Parliament. He also mentioned that all remunerations, allowances and expenses incurred by the present Commission were inherited from the previous Commission whose remuneration and allowances were approved annually by Parliament.

6.31.1.2. Financial Management System

National Commission for Privatisation (NCP) was currently maintaining its accounting records and producing financial reports manually aided by microsoft excel worksheets. Quite apart from the obvious disadvantages associated with such a system, it is unreliable and not tampered proof. It was recommended that the accounting system should be computerized or replaced with a system, which is tampered proof and more reliable.

Official's Response

The Commissioner agreed with the comments and recommendations and stated that a Sage Accounting System had been purchased in August, 2010 to replace the current system. He however said that since the Commission was mid-way through the year, it was agreed that parallel postings with the Excel system should be done.

6.31.2. Current Matters

6.31.2.1. Composition of the Commission

Section 5 of National Commission for Privatisation Act, 2002 provides that “the Commission should consist of a Commissioner as Chairman and the following other members:

- Governor, Bank of Sierra Leone
- Representative of:
 - Sierra Leone Labour Congress
 - The Institute of Chartered Accountants of Sierra Leone
 - Sierra Leone Bar Association
 - Sierra Leone Bankers Association
 - Professional Engineers Association
 - Sierra Leone Chambers of Commerce, Industry and Agriculture
 - Sierra Leone Indigenous Business Association
 - University of Sierra Leone

It was observed that Sierra Leone Bar Association was yet to be represented.

It was therefore recommended that the Commission pursued the representation of Sierra Leone Bar Association in order to comply with Section 5 of the National Commission for Privatisation Act, 2002. Alternatively the Commission should consider amending the act in order to take care of this issue.

Official's Response

The Commissioner in his reply agreed with the finding.

6.31.2.2. Legal Consultant

We observed that the Commission appointed a legal consultant, Victoria F. Jamina–Andrews effective 1 May 2010. However the Auditors concerns were as follows:

- The consultant was not domiciled in Sierra Leone and all travelling cost of the consultant was borne by the Commission.
- The Commission was committed to pay a monthly retainer fee of one thousand five hundred USD 1,500 or Leones equivalent, including communications and travel expense for all official trips specifically requested by National Commission for Privatisation and incurred by the consultant in carrying out the services. Air travel expenses limited to country of domicile – Gambia to Freetown.
- It was noted that refunds were made to the consultants for London to Freetown trips.
- The retainer fee was paid without deducting withholding tax.

It was therefore recommended that the contract between Victoria F. Jamina – Andrews and the Commission should be reviewed with the view of rectifying the above mentioned anomalies.

Official's Response

The Commissioner explained that an evaluation and interviewing process was conducted and Victoria F. Jamina-Andrews was the most outstanding and also, taking into consideration the cost of engaging a commercial legal adviser which would have cost the NCP no less than GBP 10,000.00, he stated that Victoria F. Jamina-Andrews had the necessary expertise and the total cost of retaining her services was reasonable.

6.32. Tertiary Education Commission (2010)**6.32.1. Financial Management Reporting**

Though reports were prepared quarterly, the financial management report did not highlight variances between the budgeted and actual figures and there were also no commentaries on those variances. It was therefore recommended that consideration should be given to reporting variances and providing commentaries on a quarterly basis and using the experiences to improve on delivery.

Official's Response

The Commissioner stated that the recommendation was accepted and promised its implementation.

6.33. National Council for Technical Vocational and Other Academic Awards (NCTVA) (2005-2007)**6.33.1. Internal Audit Unit**

An Internal Audit Unit was not in existence in the Organisation. ASSL therefore recommended the immediate setting up of an internal audit unit.

Official's Response

The management in their response stated that the Finance Office had been intimated on the recruitment of an Internal Auditor within the course of the year.

6.33.2. NASSIT Deductions

It was observed that Social Security contributions were deducted from employees' salaries and not paid to the appropriate authorities. It was recommended that all efforts should be made at paying over employees' deductions to NASSIT soonest.

Official's Response

Management stated that the Council had been in debt in payment of monies deducted from staff salaries for Social Security purpose. They however explained that they had recently started paying the said monies to NASSIT.

6.33.3. PAYE

Monthly income tax deducted from employees' salaries was not paid over to the Income Tax Authorities. It was recommended that efforts should be made to pay over amounts withheld from employers' salaries as requested by law.

Official's Response

Management in their response stated that the main problem of implementing this part of an operation was the inadequate provision normally made on the government budget for the payment of staff salaries and wages. He said however that plans were on the way to begin the deduction of staff income tax and subsequence payment to the National Revenue Authority.

6.34. Eastern Polytechnic 2004-2008

6.34.1. Eastern Polytechnic Business Unit

Income generated from the Business Unit was not reported or disclosed in the Financial Statements of the Institution for period 2004, 2005, 2006, 2007 and 2008. It was therefore recommended that all income irrespective of the size should be reported and adequately disclosed in the accounts.

Official's Response

The Principal in his response stated that the initial amount used to set up the business unit was from proceeds of the farm work. He mentioned that the profit was reinvested to expand the operations of the business and that lead to the non-disclosure of income. However, from 2010, all incomes would be disclosed in the financial statement.

6.34.2. Library Services

Work has long been on a stand still for the Institution's Library. In addition, the present library was faced with the following difficulties:

- Insufficient sitting/learning space;
- learning materials, especially for the Agriculture & Forestry, Engineering/Technology and Home Science courses;
- Relevant learning materials especially in the field of Science, Engineering and Education;
- Insufficient furniture (i.e. chairs, desks, shelves); and
- Under staffing.

It was recommended that the Institution should endeavour to improve the condition of the library.

Official's Response

The Principal in his response stated that library space was provided to accommodate a student population of 200 though the enrolment had increased greatly leading to the inadequacy of space. In addition, he mentioned that the staff strength had increased with the appointment of 4 new staff and an internet café had also been established for students to research in their areas of studies. He concluded by stating that the three floor library under construction had been contracted to a construction company to do the ground floor to be completed in a year's time.

6.34.3. Ineffective control over sales of student application forms

Information on the sale of student application forms for all the courses offered by the Institution for the period 2004 was not provided for inspection. There was a variance between the number of student application forms and the number of enrolled students.

See sample below:

Academic Year	Course	No. of application Sold	No. of student Enrolled
2005/06	NDE	3	6
"	B. Ed.	86	91
"	Nursing	0	45
2006/07	TC	97	100
"	Nursing	80	101
2007/08	TC	95	98
"	HTC (P)	94	98

Academic Year	Course	No. of application Sold	No. of student Enrolled
“	B. Sc.	6	8
2008/09	TC	97	105
“	HTC (P)	61	65

It was recommended that all documentations pertaining to the sale of application forms should be tendered for inspection.

Official's Response

The principal of the institution responded, stating that discrepancies in student enrolment and sale of application forms were as a result of the following:

- *some students deferred their admission as a result of inability to pay fees and charges, sickness, pregnancy, etc;*
- *some students were not promoted to the next level; and*
- *there were transfer cases of student from other institutions.*

6.34.4. Matters Previously Raised

6.34.4.1. Implementation of issues raised at council meetings

An examination of minutes taken at council meetings revealed that most of the decisions agreed upon in such meetings were not implemented during the years under review and consequently most of the Institution's assets were not valued and incorporated into the Financial Statements.

Official's Response

In his response, the Principal stated that he had contacted a valuator who had charged an exorbitant fee of Le200,000,000 which couldn't be afforded. In that regard, he had referred the matter to the Government through the Ministry of Education for their intervention.

PROJECTS

6.35. Power and Water Project (2009)

6.35.1. Finance section within the Project Coordinating Unit (PCU)

The work load was too much for one person to perform in this department, therefore the Finance Officer did not produce documents on time when requested. Moreover, the Project Coordinating Unit had to pay \$7,000 in the period under review to a consultant in connection with the preparation of the financial statements for the period 2004 to 2009. It was then recommended that an assistant to the finance officer be employed to assist the finance officer in minor accounting jobs such as posting of transactions, bank reconciliations, filing of documents whilst the finance officer will be left to do more important jobs.

Official's Response

In his response, the Project coordinator noted our observations raised and stated that the PCU in consultation with relevant stakeholders would find a way to resolve the problem. He further stated that the payment of \$7000 had been made to the consultant (Mr. David Renner), who was hired by SALWACO to prepare their draft Financial Statements for period 1 January 2003 to 31 December 2008 that had been outstanding for a considerable period of time and was required by the Bank to be submitted within a very short time.

6.35.2. Loan to Afirelief

A total of USD 30,000 was paid to Afirelief as a loan on 29 June 2007. Although a total of USD 20,000 had been refunded to the project, nothing was paid during the period under review and this was against the provisions of the International Development Agreement (IDA) Credit Agreement. It was therefore recommended that Project funds should not be given to any institution as a loan as all funds requested for by the project had been budgeted for before they were remitted by the IDA in the project account.

Official's Response

In his response, the Project coordinator stated that at the time of that transaction Afirelief was the local consultancy Firm that was incorporated by GKW/POYRY to provide technical consultancy services to SALWACO. He added that in 2007 there was a serious impasse between the clients (SALWACO) and the leading Consultants (GKW/POYRY) which almost brought the project to a standstill, as the Foreign Consultants withheld their service to the Project. As a result of the impasse SALWACO withheld payments to the consultants and this caused serious financial constraints on the local Consultants working for Afirelief, who were still rendering services to the Project, he further maintained.

Due to non-payment of the Consultancy fee, he said Afirelief threatened to withhold their services to the project, and this would have brought the implementation of the Project to a standstill. The matter was therefore reported to the Ministry of Energy and Water resources. In order to avert the strike and keep the implementation of the Project on course it was agreed that an advance payment USD 30,000 of their consultancy fees should be paid to Afirelief so that their local staff would be paid their remuneration. That was agreed upon by both SALWACO and the Ministry of Energy and Water Resources.

When payments to the consultants re-commenced, Afirelief repaid USD 20,000 leaving a balance of USD 10,000. After this payment SALWACO again stopped payments to the consultants, as a result of which Afirelief had not been able to clear the Advance.

The issue of the non-payment of consultancy fees was subsequently taken to the court of Arbitration in The Hague. The court of Arbitration gave a verdict in favour of POYRY and SALWACO was asked to pay the outstanding fees to the consultants. The balance USD 10,000 would be recovered from them when the final payment as ordered by the court had been paid to the consultants.

6.36. Project Implementation Unit (NPA)

6.36.1. Review of the Management Letter for the 24 month period ended December 31 2007

The following matters had not been addressed:

- The PIU of the Ministry of Energy and Power did not maintain a cash book and other financial records to ensure that all monies received and spent were properly recorded;
- The PIU could not provide the auditors with notification of remittances received from donors and payments made to the contractors or consultants; and

- The draft financial statements were not prepared on accruals basis. Scrutiny of the Statement of Income and Expenditure Statement revealed that it was prepared on cash basis rather than on accruals basis.

It was therefore recommended that the suggestions in the previous audit report should be considered for implementation.

Official's Response

The Project Coordinator stated that PIU did not maintain a cash book because they were not preparing withdrawal applications for payments. The Withdrawal Applications he mentioned, were not done by the accounts staff of the MEWR and the PIU did not have copies of the Withdrawal Applications. He added that all payments were done through a direct payment method from the ADB Headquarters. The ADB & MEWR must take the necessary steps for the PIU to do all Withdrawal Applications in future, he maintained.

He further explained that Withdrawal Applications were prepared by the accounts staff of the MEWR and sent to the MOFED for signing and after which, the MOFED sent the WA to the Head Quarters of ADB and payment was sent directly to the supplier/contractor/consultant. He said that the ADB had never sent any form of documents to the PIU informing them that ADB made payment for the invoices/certificates received from the MEWR.

The information available he said, enabled the PIU to do only the income and expenditure statement which was agreed with the Financial Management Specialist from ADB. He however stated that efforts would be made to correct the situation in future.

6.36.2. Supporting documents not provided

Supporting documents for expenses amounting to Le 1,878,515.78 were not provided for inspection during the period 2008. Moreover, certificates for civil works, invoices for consultancy services or receipts for reimbursable expenses incurred on behalf of the projects mentioned below, were also not provided for inspection.

Date	Detail	€	\$
29.04.08	Payment iro civil – Salini	3,885,999	7,751,991
21.01.08	Payment for construction supervision -Studio Pietrangeli	375,180	573,361
28.05.09	Consultancy fee for December 2007 to February 2009 - Studio Pietrangeli	1,113,333	1,588,399
07.09.08	Consultancy service iro Reservoir Geological Mapping Studio Pietrangeli	324,254	458,808
02.02.09	Payment for Consultancy Services -Studio Pietrangeli	3,926	5,025
29.04.08	Payment for Consultancy Services – Studio Pietrangeli	190,290	297,633
	Total		10,675,217

Funding agreements with DfID and the Italian Fund together with the agreement between Salini (which supplied civil works) and the Government of Sierra Leone were also not made available during the course of the audit exercise. It was therefore recommended that the afore mentioned documents should be produced for inspection.

The Program Coordinator in his reply stated that when the PIU received requests with supporting documents for payment, they were endorsed and sent to the Permanent Secretary MEWR by the Director, BPIU. He, in turn, sent the requests/documents and the WA, with a forwarding letter to the MOFED requesting payment to be made. He added that the MOFED then signed them together with the Accountant General's office and sent them to ADB's HeadQuarter where payments were then made. He said that the completed signed Withdrawal Applications and their documents were never sent to the PIU and that made it difficult for the PIU to have copies of those documents. He further mentioned that efforts were now being made together with the ADB to have these processes done by the PIU and, only taken to the MOFED/Accountant General's Office for signing and if this new process was implemented, documents would be kept by the PIU.

6.36.3. Interest

Service and commitment charge stated in the supplementary loan agreement were not calculated by the Project and included in the accounts. It was recommended that all interest including service and commitment charge should be calculated and included in the Financial Statements.

The Project Coordinator stated in his response that these charges were not done by the PIU, but by the ADB and the MOFED for which the Project was not informed.

6.37 Integrated Public Financial Management Reform Project

6.36.4. Fixed Assets

Although a Fixed Assets Register was maintained as stipulated in the Project Implementation Manual, it was not updated regularly to account for all assets acquired by the project. Some of the assets acquired were not marked. Physical inventory of fixed assets was not done during the period under review. It was therefore recommended that a properly designed fixed assets register should be maintained and regularly updated to record any movement by way of addition to, or disposal from the Fixed Assets Register at any point in time. A verification exercise should also be conducted regularly to reconcile the Fixed Assets Register with the assets in existence and all assets must be marked using a specific coding denoting the recipient agency before the item is delivered to the agency.

Official's Reply

In his reply, the Project Coordinator stated that the Fixed Assets Register was not updated regularly especially for assets that were procured for other project subcomponents and noted that it would be done soonest to ensure that all assets procured by the project were included in the Assets Register. He also assured ASSL that all outstanding assets would be clearly marked with unique identification markings. He further added that owing to the shortage of staff capacity, the project had not been able to carry out physical inventory of its assets. He mentioned that he would ensure that an inventory of all the fixed assets was done and clearly identified, once the full complement of staffing arrangement was attained.

6.36.5. Imprest Account Administration

From the review of the annual work plan, it was noted that imprests were given to the sub components of the project. A consistent system was also not in place in respect of the utilisation and reimbursement of imprest. Also the following weaknesses were observed:

- A cash register was not maintained for almost all the sub-components under the project;

- Cash vouchers were not maintained for the withdrawal of petty cash expenditure for almost all the different sub-components under the project; and
- Periodic unannounced cash counts were not carried out, to ensure proper maintenance of the imprest system.

Official's Response

The Project Coordinator explained that the Finance Unit of the Project and some other project subcomponents strictly adhered to the proper maintenance of the imprest system of accounting. He said that the Project Administration Unit would follow up on it and ensured that all project subcomponents would maintain cash register and cash vouchers for accounting and recording of petty cash expenditures. He promised that periodic unannounced cash counts would be carried out on all the subcomponents from time to time.

6.36.6. Segregation of duties

It was evidenced during the audit exercise that the finance unit in the IPAU was grossly understaffed leading to the lack of segregation of duties in the handling of financial matters, as the project accountant had to carry out all the operations alone. It was therefore recommended that the project implementation manual should make provision for support staff and that additional support staff must be recruited to assist in the finance division.

Official's Response

The Project Coordinator agreed that the finance unit was understaffed. The Project Coordination Unit he said would be facilitating the recruitment of additional staff to support the day to day fiduciary operations mandated by the unit when the Government of Sierra Leone and the World Bank agreed on the functionality and operations of the Integrated Project Administration Unit (IPAU). In addition, he stated that once the staffing issue was addressed, the various financing functions would be spread out and/ or distributed among the finance personnel in the unit to further strengthen the Internal Controls System within the Project.

6.36.7. Internal Audit

The internal audit of the MOFED did not conduct regular reviews of operations and financial transactions as required by the project implementation manual. It was therefore recommended that the internal audit of the MOFED should be actively involved in the project implementation by conducting regular reviews of operations and financial transactions.

Official's Response

The Project Coordinator explained that the Internal Audit Unit at the Ministry had indeed been involved in the Implementation of the Project activities and one of the beneficiary units. He said that in many instances they had been undertaking reviews at Local Council level, but considering the low level of staffing at the Unit they had not been conducting regular reviews across other project components. He mentioned that the Project Coordinating Unit would be following up on that to ensure regular reviews on the operations of the Project.

6.36.8. Liquidation of Funds

It was observed that payment for some hall rentals were not done on competitive invoices. Retirement for most of the activities was not done within the given time line of one week, some far exceeded the one week period. This was evidenced in a letter dated 17th January, 2011 sent to the different components' managers from the project accountants. It was recommended that payments for expenses such as hall rentals must be done on competitive invoices and all expenses should be retired within a week as stated in the project implementation manual.

Official's Response

The Project Coordinator responded by stating that:

The Programme Coordinator alongside Procurement Specialist and other representatives of project sub components were engaged in addressing the matter and that a committee had been set up to map the way forward on this for which a report was done and was waiting to be implemented across the projects.

The lack of competitive invoices in some costs of workshop venues including hall rentals were mainly due to the unavailability of venues at the time of conducting workshop/training. In many instances, it is almost impossible to get venues that would accommodate the number of participants that the activity demanded. Consequently, pro-forma invoices were provided for only hotel venues that could accommodate the activity at the time.

6.36.9. Procurement

It was evidenced during our audit work that the procurement specialist played little role in the procurement of services for workshops, conferences and training (example, hiring of hall, hotels and catering services). No procurement compliance audit was carried out for the period under review. We recommended that the procurement specialist should be involved in the coordination of procurement implementation agencies and in the procurement processing in general. A procurement compliance audit must be carried out as stipulated in the project implementation manual.

Official's Response

The project Coordinator explained that it was as a result of the fact that procurement of services for workshop, conferences and training had not been fully centralised within the IPAU. He however said that a committee had been set up to map the way forward a report done and awaiting implementation across the projects. In addition, he stated that it had been agreed with the bank that the issue relating to compliance audit be deferred to such a time when appreciable volume of procurement had been carried out in order to obtain value for money for the activity.

6.36.10. Withholding Tax

The project was not withholding taxes from payments made to contractors above Le 500,000 as stipulated in the Income Tax Act, 2000. It was recommended that complete and accurate calculations of withholding taxes should be done and full amounts paid on time to the NRA. In addition, steps should be taken to recover such amounts from suppliers affected.

Official's Response

The Project Coordinator stated that the issue would be addressed and streamlined once the IPAU becomes fully functional.

6.37. Enhanced Integrated Framework Project (2010)**6.37.1. Withholding Tax**

It was observed that withholding taxes, totalling Le16, 317,016.50 were not deducted from suppliers' payment for goods and services for 2010 and paid over to the NRA. It was recommended that complete and accurate calculations of withholding tax should be made, full amount paid on time to the NRA and steps taken to recover such amounts from suppliers affected in compliance with the Income Tax Act, 2000, Section 117 Subsections (1) (2) and (3).

Official's Response

In his reply the Project Coordinator said he did not wish to contravene the MOU by engaging in activities that dealt with taxes. He hoped to implement the Tax Act from date and to also bring it to the notice of his donors accordingly.

6.38. (UNFPA) Baseline Survey (June 2009 – April 2010)**6.38.1. Income**

Bank interest income in the amount of Le2,405,328 was not recorded as income to the project for the period under review. Income not recognised could be converted into other uses. It was therefore recommended that all forms of income accruing to the project should be recorded in the books of the project in order to ensure that the financial forms are true and fair.

Official's Response

The Coordinator, in his reply, stated that the findings were true as the interest was generated from a current account which was supposed to be a non-interest bearing account. Upon reconciling the bank statements, it was noticed and charged against bank charges to off-set the sum, he added. He mentioned that he noted the query and promised that management's strive to ensure a sound financial management, would correct any similar shortfall in future.

6.38.2. Recruitment process

Key sections in the MOU signed between Statistics Sierra Leone and the Ministry of Health and Sanitation (in collaboration with UNFPA) were not complied with by the institution. The affected areas had to do with the process of recruitment and letters of appointment of all personnel recruited for the Baseline survey including their curriculum vitae, copies of certificates, application letters and minutes of interview reports that were not properly maintained. It was recommended that all obligations stated in the MOU and other related documents should be adhered to.

Official's Response

The Coordinator stated that Management wanted to bring to floor, as part of their internal policy on survey recruitment, that there was a database of Regular Enumerators which did not require recruitment and/or interview. Notwithstanding, he noted that management did issue them with appointment letters to show its commitment to adherence to the MOU and would encourage the audit team to do any form of verification or inspection as part of their audit evidence.

6.38.3. Financial Records

Amounts stated in the various financial records i.e. Cash Book and (full) COE were different from various expenditure lines. Differences were noted between amounts recorded in the Cash Book and supporting documents that were submitted for inspection. A summary of these differences is given below:-

<i>Activities</i>	<i>Actual Expenditure in COE Le</i>	<i>Actual Expenditure in Cash Book Le</i>	<i>Audited Figures Le</i>	<i>Difference between COE & Audited Figures Le</i>	<i>Difference between Cash Book & Audited Figures Le</i>
Sampling Design & Questionnaire Development	35,700,000	35,700,000	35,870,000	(170,000)	(170,000)
Data Collection	594,657,150	594,657,150	585,350,800	9,306,350	9,306,350
Operation & Maintenance	638,986,156	639,368,158	635,137,200	3,848,956	4,230,958
TOTALS				12,985,306	13,367,308

It was recommended that the above differences should be investigated and properly accounted for in the books of the project.

Official's Response

The Coordinator stated that, the difference between the audited figures and the Cash Book was as a result of arithmetical errors and/or mistake.

6.38.4. Statutory requirements

Taxes to the tune of Le1,094,850, withheld from project staff allowances and payment to suppliers, were not remitted to the NRA. It was therefore recommended that the withholding tax deducted from all Project Staff Salaries/Allowances be paid to the NRA for which a general receipt should be obtained.

Official's Response

The Coordinator acknowledged the audit findings and mentioned that it was due to the fact that sufficient funds were not in the account at the time the payment was done, and it would have resulted in an overdraft in the account balance if attempts were made to pay the tax charge at that time. He however accepted the shortfall and confirmed that action had already been taken to pay the amount due.

7. Audits of Schools and Vocational Institutions

7.1. Main Points

What we examined

Our audits of schools and vocational institutions are risk-based compliance audits. We focus on high risk areas. By risk we mean the likelihood of an undesirable event occurring and the potential impact should it happen, e.g. corrupt practices.

For each institution selected, we examined a test sample of revenue and expenditure transactions. Our audit objective was centred on evaluating the adequacy of internal controls in the collection of fees and on expenditure from these sums which serve as a platform for effective school operations as well as procedures. We also sought to determine whether applicable laws, policies and regulations have been complied with and whether the systems and practices are adequate to exercise a reasonable level of internal control over operating activities.

Why it's important

It is self-evident that the citizens of Sierra Leone value education for their children and themselves. Education is needed for the advancement of society and poverty reduction. It is a building block for economic development. Sierra Leoneans are greatly concerned about what they perceive to be poor performance by students in government schools. They are more than a little concerned too about the value for money reflected in the performance of the school system as a whole. Government policy and the expenditure of significant public funds to get the desired results is a reaction to the wishes of the people. If it is important for them, it is also important for ASSL.

What we found

Based on our review of schools and vocational institutions we believe that administrative and financial management of the school system is out of control. Responsibility and accountability rests squarely on the Ministry of Education and it is from there that corrective action needs to be initiated as a matter of the gravest urgency.

Losses from schools and other educational institutions attract not only cash losses in respect of fees collected but there are also significant arrears in school fee payments. Basic procedures are not being observed as follows:

- There are extensive disbursements without adequate supporting documents.
- Procurement rules not followed.
- School fees are being collected without the issuance of receipts in some instances.

In future years we will continue to review the situation and we would hope to see evidence of improvement. A good start would be to see the Ministry of Education follow-up on our detailed observations as set out below.

7.2. Detailed Findings and Recommendations

A Table of the schools where audit findings gave rise to the matters raised in the following paragraphs is attached in Appendix B below.

7.2.1. Arrears of School Fees

A review of the Schools Fees Register disclosed a total of Le 24,740,000 as arrears of fees for the periods under review. These arrears were not supported by documents indicating that the pupils were transferred, withdrawn or expelled from the School. It was therefore recommended that the Principals should ensure that for each school term, a deadline must be set for the payment of fees, followed by disciplinary action against pupils who failed to pay.

7.2.2. Revenue not banked before use.

Revenue received as school fees to the tune of Le1,013,429,202 at various schools were not banked before use thereby violating Section 62(1) of the Financial Management Regulations which states that: “All departmental revenue or other public moneys collected shall be paid into a bank account authorized by the Accountant-General or into the treasury daily or if it is not possible, at the earliest opportunity”. It was therefore recommended that henceforth, Principals must adhere to the aforementioned regulation.

7.2.3. Withholding Tax not deducted and paid to the NRA

A careful examination of the records produced by the schools revealed that Withholding Taxes totalling Le 6,813,790 were not deducted and paid to the National Revenue Authority thereby contravening Sec (117) 4 of the Income Tax Act 2000. It was therefore recommended that all principals involved in such a case should ensure that the regulation of deducting Withholding Tax and making payment to the National Revenue Authority must be strictly adhered to and the such taxes should be recovered immediately, paid to the National Revenue Authority and the evidence of payment forwarded to the Audit Office for verification, and the Commissioner of Income Tax should take the necessary action.

7.2.4 Payment Vouchers not approved

It was observed that some payment vouchers were not approved in respect of various payments made that amounted to Le 13,024,000. It was recommended that the Principals should explain why they did not approve the payment vouchers before the monies were disbursed; otherwise, the various sums should be refunded. It was also recommended that all subsequent payment vouchers must be properly checked and approved by the Principals before payments were made.

Expenditure without supporting documents

Disbursements made without adequate supporting documents amounted to Le 324,204,251. It was therefore recommended that all supporting documents in relation to the schools involved should be submitted to the Audit office for inspection and, in future, all supporting documents must be attached to Payment Vouchers and retained for inspection purposes.

7.2.6. Inadequate control over issuing of receipts

School fees totalling Le 8,714,170 were collected for which receipts were not issued. It was recommended that the Principal should ensure that receipts were issued for all fees collected and they must be accurately recorded in the School Fees Register/Cash Book. An explanation together with the documentary evidence must be given by the Principal(s) involved for the non- issuance of receipts otherwise, the sum of Le 8,714,170 should be refunded by the principals of the various schools.

7.2.7. Monies collected and not accounted for

Financial Management Regulations (FMR) 2007, states that “The vote controller or other person doing a spot check shall investigate any surplus moneys found when balancing the cash book with the collections”. Le50, 961,500.00 was disbursed in excess of school fees collected. It was therefore recommended that the School’s Principal and Bursar should ensure that all fees collected must be fully disclosed. In addition, the School Principal is requested to explain why the above amount was not disclosed, otherwise, the entire amount should be refunded and details of receipt of payment forwarded to ASSL for verification.

7.2.8. Outstanding Loans

An amount of Le 5,000,000 given out as loan was yet to be recovered from the said contractor. It was recommended that the Principal should recover the Le 5,000,000 from the contractor otherwise the whole sum should be paid by him into the school’s account and evidence of payment forwarded to ASSL for audit verification.

7.2.9. Procurement procedures not followed

It was observed that payments totalling Le 20,644,000 at various schools were made for goods and services without ‘Requesting Quotations’ from at least three suppliers. It was therefore recommended that the Principals should ensure strict adherence to procurement regulations.

7.2.10. Appraisal of teachers not done

An examination of Teacher’s personal files at various schools disclosed that appraisal of teachers were not done. It was therefore recommended that, with immediate effect, the Schools’ Head Teacher/Principals should start using the appraisal forms supplied by the Ministry of Education for appraisal of teachers on a yearly basis, and details forwarded for to ASSL for verification.

7.2.11. Inventory registers not maintained

Inventory Registers were not maintained at various schools. It was therefore recommended that the Schools’ Bursars should expedite the opening of this important document and all serially coded valuable properties of the school posted therein.

7.2.12. Monthly Bank Reconciliation not prepared

Monthly Bank Reconciliations were not prepared in some of the audited schools. It was therefore recommended that with immediate effect, the Schools’ Bursars must prepare Monthly Bank Reconciliations which should be reviewed by the School’s Principal.

7.2.13. Documents not presented for audit inspection

In spite of repeated requests, several vital documents were not presented for audit inspection in some schools. It was therefore recommended that the Principals should ensure that a proper system existed for the safe custody of all Accountable documents by putting shelves and control ledgers in place to monitor the inward and outward movements of documents. In addition, the Accountable documents should be made available for inspection, to avoid attracting Section 18 (1) of the Audit Service Act, 1998.

7.2.14. Poor records management

As a result of poor records management, staff members did not have personal files and some existing files lacked vital information such as medical reports, offer and acceptance of employment letters etc. It was therefore recommended that the Principals should create individual files for all staff and each file should contain staff details and documents such as those mentioned above.

7.2.15. Inspection of schools by the Ministry of Education

There was no evidence that the Inspector of Schools periodically visited some schools to observe their operations and provide support by reviewing Records, Procedures, Progress and report on them as required by the Act. It was therefore recommended that Inspectors of Schools should make annual periodic visits to schools as required by the Education Act, 2004 and provide copies of the Inspection Reports to the school¹.